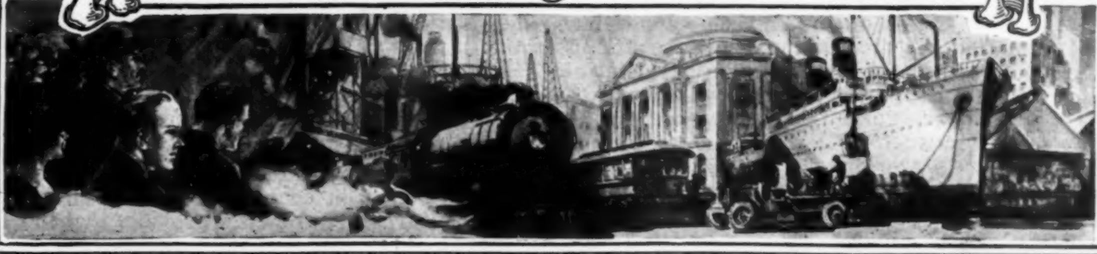
The MAGAZINE of WALL STREET



BANKING EDITOR H. PARKER WILLIS | EDITOR RICHARD D. WYCKOFF | MANAGING EDITOR E. D. KING

INVESTMENT & BUSINESS TREND

A Critical Stage for Business—Defects of the New Tax Law—The Market Prospect

BUSINESS shows the influence of the decided shrinkage in demand which has become such a noteworthy feature of the situation in the past several months. Production in most lines has been adjusted to the smaller demand and prices, on the whole, though slightly more stable than recently, reflect the uncertainties of the situation. There is less employment in some of the manufacturing centers, but the average employment figures for the entire country show no appreciable diminution, as out-of-door activities are operating to absorb the available supply of labor.

Passage of the tax bill has served to impart more confidence among business interests, but thus far this has not been reflected in the actual volume of business. The political situation continues to exert an unfavorable influence and until the nominations are out of the way and a clearer idea had of the political outlook, it is doubtful that the present downward trend in industry will be checked.

The situation is not in reality as unfavorable as appears on surface. Except in such industries as sugar and oil, there is little overproduction and there is consequently very little of the distress selling which marked the deflation period of 1920-1921. The general curtailment of production tends to cut into surplus stocks, thus affording a basis for an inevitable increase in demand and operations.

The speed of the present business reaction, however, does not favor a checking of the process in the near future and in the meantime industrial earnings are bound to reflect present and immediately prospective influences. On the other hand, the public utilities, particularly, and the railroads to a lesser extent, are operating under conditions more advantageous than those affecting the miscellaneous industries.

THE RISE IN LIBERTIES

THE continuous advance in U. S. Government war loans to the highest prices in their history has focussed attention on their outlook. It is clear that their present great strength is due in large part to government purchases, in addition to large accumulations by corporations and other institutions who have no outlet for their surplus funds owing to lack of business and the curtailment of demand for commercial credit arising from the slump. It is equally clear, however, that a reversal of the present business trend will tend to increase demand for credit, raise money rates and divert funds from the Liberty bond market, including other gilt-edge issues. In a word, the advance in Liberties can only be maintained as long as business continues to slump, but a revival in business would obviously change the trend.

THE FARMER

THE past few years have not been productive of a feeling of security among the farming folks. Caught between low prices for their products and high prices for materials they bought, they were in the unenviable position of being compelled to operate at a loss. The pendulum, though hardly perceptible, is gradually swinging back to normal. Prices of agricultural products are comparatively stable, whereas other commodities and goods are slowly drifting to a lower price level. The effect of this, naturally, is to raise the pur-

chasing power of the farmer. Politicians, impatient of the situation, who have attempted to force matters and give artificial aid through legislative action, will eventually come to recognize that lasting aid for the farmer cannot be legislated, but that the ponderous working of economic law will more surely provide the cure which they sought to supply.

TAX DEFECTS

WHILE it is admitted that the new tax law is an improvement over the old law in respect of the tax relief which it affords as well as some administrative features, it really leaves much to be desired. The principal weakness is the disparity between the percentages levied on corporations and those imposed on the individual taxpayer. Such a disparity cannot be justified, especially since it facilitates the evasion of tax payment by individuals through the simple expedient of periodically changing the forms of their business, depending on the amount of earned income.

Another provision which has aroused a great deal of resentment among business circles is that in connection with publicity of tax returns. The new law provides that the amount of tax paid, together with the names of the payee, may be made available for public inspection. This is undesirable from a purely business viewpoint, since it enables business men to acquaint themselves in part with the business data of their competitors. There are other weaknesses in the law. On the other hand, there has been substantial tax relief, particularly in the lower brackets, and while the new law is not ideal from an economic standpoint it represents in effect a big step in the right direction.

THE MARKET PROSPECT

SINCE our last issue, when we advocated the purchase of the best class of railroad and industrial stocks, the security markets have entered a new phase. The slowing down of business having produced an enormous accumulation of money, institutional buying began and has continued on a large scale, not only in bonds but in the best class of investment stocks.

Business conditions were and still are bad. None of the principal industries have actually shown definite improvement, although some have indicated a cessation of their shrinkage. Many people are still bearish because of such conditions, but they should remember that the stock market does not follow business; stock prices anticipate changes in business. This is particularly true now, with most bankers, manufacturers and merchants regarding the course of stock prices as a business barometer.

Both business and stocks declined because of lack of confidence. Within the past ten days there has been a revival of confidence, and that is all this country requires to stimulate business into activity again. Confidence is to business what the spark is to the automobile.

The greatest bull markets of the past have had their roots in just such money and business conditions as we have recently witnessed: First, the demand for high grade bonds, then lower grade, then investment stocks, and finally the speculative issues. Business conditions have lain dormant, or even declined while the security markets were advancing. There should be a repetition of these phenomena. If so that will encourage the bear operators and sustain a healthy short interest without which the market would be lacking in stability.

The action of the market indicates that business will improve during the last half of the year. By that time the stock market should be much higher.

The greatest possibilities, as we have frequently pointed out in our columns, should be the high grade rails, for investment return, and the medium and lower grade railroad shares for their strategic value in the welding of all American roads into several large systems. The bulk of this should be accomplished within the next six months. The earning power of the small rails is not so important at this stage as the question as to how they will fit in under the new alignments.

That railroad stocks are still very attractive, is proven by the fact that the average of twenty-five leading issues is still at the 66 level, just about at the low point of the 1914 war panic. These averages of the leading rails were, in former years, usually found swinging back and forth in the 70's and 80's. They are therefore still ten to fifteen points below normal, to say nothing of their vastly increased earning power. The American public owns the railroads in ten and twenty share lots. Their patience should be well rewarded this year.

Possibilities in the industrials as a whole are not so great, due to the fact that profits for part of this year will be small, even though there is a good recovery in the last half. However, there are many individual stocks in the industrial groups that are destined for substantial advances.

Monday, June 16, 1924.

Who Will Win the Democratic Nomination?

Some Salient Facts About the More Prominent Candidates — Dark Horses and Favorite Sons

By THEODORE M. KNAPPEN

This is William G. McAdoo, leading contender for the Democratic nomination and heartily disliked by Big Business for his leanings toward labor. His candidacy is particularly important because if nominated he would undoubtedly influence a great part of the so-called labor vote in his favor. McAdoo was Secretary of the Treasury during part of the war period and was instrumental in putting over the Adamson eight-hour day on the railroads, an action which gave him a reputation as being opposed to Big Business interests.

IF a business corporation had an opportunity in industry comparable to that the Democratic party now has in politics, a handful of dispassionate men would be painstakingly picking its president or manager, with no other thought than to engage the one man for the opportunity. But the Democrats will meet in national convention in New York next week to choose the man whom fickle fortune has given as good a circumstantial start for the White House as any Democratic candidate ever had, with no group of elder statesmen to counsel them and with every prospect that the decision will fall as much by chance as the head or the tail of a tossed coin.

When the last august call of the roll of sovereign states shall have been made in Madison Square Garden some man—perhaps unknown to national fame—will have been named as the Democratic candidate for the presidency, and propitious circumstances may be dashed by personality—or greatly magnified thereby. As this is written the masters of political prognosis within the party assure me that there is every reason to believe that the man who will soon be acclaimed as the next President of the United States by a vast conclave, lifted up with the inspiring sense of great history-making, will not be one of those in the forefront of the list of candidates. **Some comparatively obscure man, though doubtless one of those now mentioned as a possibility, they say, will in all probability be the personification of Democracy in the impending contest and make or mar the event. And it may be that chance will be more sagacious than choice.**

No boss or group of bosses, no dictator and no oligarchy, have the coming convention in the hollow of their hand. As this is written, Brennan, Taggart, Mack, Hull, and all the rest of the so-called bosses have just as much control of the nomination and just as much idea—no more and no less—than any reader of this article may have as to the outcome. That is not saying that some day next week in some hotel room or some corner of the convention hall a handful of men may not get together and decide what the convention shall decide. If the prediction that obscurity is to be introduced to fame comes true, it is certain that a little deal of some sort between leaders will be the vestibule thereto, but the delegates of the Democcracy are arriving in New York to go through a truly kaleidoscopic process of selecting the man who will probably—if wisely chosen—sit for the next four years on the highest pinnacle of human political power. Some qualification is needed of the foregoing sentence, for while there is no meeting of the master minds of the party in advance, no moulding intrigue or devious plot, a majority of the delegates are coming to New York with more or less binding instructions and virtually all of them have preferences. But unless the largest instructed group of delegates should easily have their way, the very variety and number of instructions, favorite sons and preferences will make for that confusion from which will issue by a fortuitous aggregation of numbers or the improvised tactics of the struggle the leader of the Democracy.

McAdoo's Chance

The largest group is easily that of the delegates instructed for William Gibbs McAdoo—or for him after favorite-son courtesies are rendered. It will probably comprise a majority of the delegates, and if it were not for the two-thirds rule would make McAdoo's nomination certain, so far as advance polls are reliable.

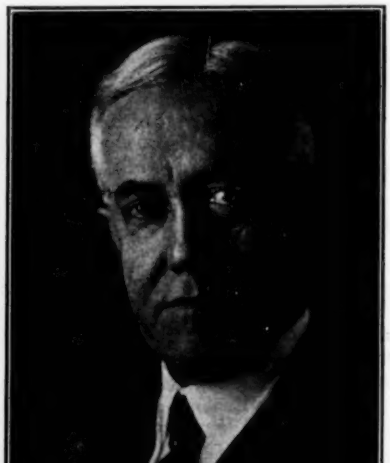
McAdoo retired to private life before the end of the Wilson administration from the secretaryship of the treasury and the position of Director-General of the railways, then under government emergency operation,

Governor "Al" Smith of New York is runner-up in the Democratic convention. He is what might be termed a liberal in politics but his position on economic matters is not so clearly defined. Governor Smith has made for himself an excellent reputation as an efficient administrator of the State of New York and has been at times actively identified with important business interests. His candidacy would not be considered such a menace to the Business of the country as McAdoo's is thought to be. Governor Smith's religious affiliations and his ideas on prohibition are commonly thought to stand in the way of his nomination.

Of all the Candidates—
—Senator Oscar Underwood is truly statesmanlike and least partisan.

for the purpose of mending his private fortunes. Zeal in that laudable effort will be chargeable for his failure to return triumphantly to public life in the highest office in the world, should he fail of the nomination. That zeal led him to accept fees of something like $250,000, as a lawyer, from the Doheny oil interests. Entirely legitimate, but by a quirk of fate grossly impolitic. The oil scandal, in which Doheny played so large a part, is one of the chief indictments of the Democracy against the Republican administration; and the "thou too" counter offensive, however unjustifiable, is too obvious, and too embarrassing to explain not to be a most annoying factor in a campaign led by McAdoo.

Moreover, the Democrats propose to be 100 per cent progressive this year, and



Of the same type as Underwood—
—but with less political experience, is John W. Davis of West Virginia and New York.

progress and such intimate relations with fabulous wealth as $250,000 fees indicate are not supposed to mix smoothly in the minds of the proletariat. On the other hand, it is not to be denied that, notwithstanding the adventitious taint of the oil stench and his success in pocketing the fat retainers of predatory wealth, McAdoo's boom is very largely due to organized labor and the radical or progressive group of Democrats and independents. This powerful element has practically served notice on the Democracy that it must nominate McAdoo or divert the labor, the agrarian, and progressive vote en masse to La Follette, who is certain to be an independent candidate for the presidency on a most radical platform, pleasing to farmers and labor alike.

Insofar as La Follette is likely to draw mainly from the normal Republican poll the Democrats welcome his independent candidacy, but there may be easily too much of this good thing if it begins to thin the Democratic ranks.

McAdoo is not only the outstanding progressive Democrat, but he is by far the most transcendent national figure in the lists of those who have been mentioned in association with the Democratic nomination. As Secretary of the Treasury, his financing of the war through huge popular patriotic organizations which made 18,000,000 Americans government bondholders, and other millions investors in War Savings Stamps, made his name the most familiar after President Wilson's in every American household. As director of the railways, ordering the executive and operating magnates of those industrial mammoths around as if they were mere office boys, he made a deep appeal to the democratic instincts of the masses of the people. And as the vigorous elevator of the wages of railway employes and the frank recognizer of their organizations, he became the official hero of the organized labor world of America. He further fastened his hold on the labor world, and on a large part of the population which has certain inclinations towards the nationalization of the key industries, by reason of his advocacy of a five-year trial of government railway operation before deciding whether to keep them or turn them back to their owners.

McAdoo is energetic, vigorous and picturesque. He has a deep understanding of public and private finance, his acquaintance is universal. No speaker would have to tell an audience who McAdoo was and is. No voter would be at a loss to know what a vote for McAdoo would mean. **It would mean progressive political policies in action—violently so—but with a shock rather than an axe for "capital."**

Another element in McAdoo's popularity and vote-getting capacity is his "soldier record." He originated the plan of War Risk Insurance by the government, whereby every soldier who so elected was insured by the government against death and incapacitation at the rates indicated by mortality tables, the government carrying all the administrative expense; and the system of compensation (instead of

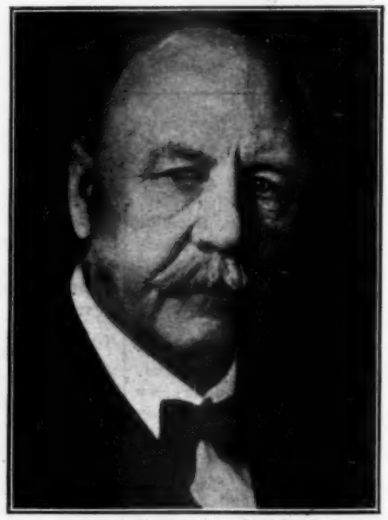
Senator Carter Glass—
—of Virginia, co-Author of the Federal Reserve Act and a real student of finance.

pensions) for injuries, and rehabilitation of those who suffered from their service experience. He has strongly supported the bonus or adjusted compensation.

Territorially he stands on a tripod. Born and reared in the South, achieving success in private life in law and finance and promotion in New York, he is now a citizen of California.

As for his enemies, they are almost exclusively in social groups or political congeries that would oppose any progressive Democrat. The business world does not like him. Bankers detest him. Industry fears his fondness for organized labor and his willingness to experiment with government ownership.

The late President Harding advocated business in government and government out of business. McAdoo



Safe and sane—
—is Senator Ralston of Indiana, whose candidacy has not alarmed Big Business.

would make it government in business and business out of government.

The more business boos him the better he likes it and the larger he appraises his support.

Coming to the convention with all these considerations in his favor, and with no other candidate having such a galaxy of "points," the convention, insofar as it thinks at all, will ponder long before it takes a man of lesser renown, oil or no oil.

Governor "Al" Smith

Governor "Al" Smith, of New York, will enter the convention with more supporters than any other candidate than McAdoo. But Murphy, the astute and prescient, will not be there, and he has left no heir in fact, to make the most of the Smith nucleus and shape the blind forces of the history-making gathering. Smith's greatest assets are that he is beloved in New York, which state in certain eventualities is necessary to Democratic success, and the fact that he is a Roman Catholic. Without attributing to that church any political aims, it would be but a matter of organization pride for the masses of its members to support Smith. But the latter asset is of the sort that implies an offsetting liability. That widespread revival of the old Know-nothing spirit, concretely represented by the Ku Klux Klan (which McAdoo, by the way, has not antagonized), will smash at Smith with all its strength, if he should be nominated. Smith is classed as a progressive, even though a Tammanyite.

He is distinctly of the people, and he is well-beloved even of his political enemies. Accepted as the favored candidate of the wets, he would be a vote-getter with the millions that regard the Volstead law as the root of the greatest national problem. This is also an asset with an obvious offsetting liability. As president, Smith would follow historic Democratic lines, with a profound injection of modernism. **He would be no such menace to business as business conceives that McAdoo would be.**

Of all the Democratic candidates, Senator Oscar Underwood is the finest type of statesman—but he is from Alabama. His triumph would signify that the Democracy is not to enter the lists this year as a progressive party. He holds to the historic tenets of his party—a low tariff, no special favors or privileges, less centralization of government. He has never made an appeal to any particular class. He is broadly American, he is an active foe of the Ku Klux Klan. He is a conservative, but not a timid one.

Few men in Congress are so fearless or so independent in the exercise of their own judgment. He is a man of excellent education, wide culture, extensive reading, a deliberative and reflective man, a just man, and courageous. No class legislation would get by his veto. He has never been a petty partisan. **Except as it is wedded to a high tariff, business, big or small, would find no fault with Underwood so long as it did not selfishly overreach itself.** Millionaire and day laborer look alike to him—equal before the law and the making of law. There would be nothing meteoric or sensational in his administration. The nation would be in firm, fair hands.

John W. Davis as a Favorite Son

Of much the same type as Underwood, and perhaps greater talents, but with far less experience in politics, is John W. Davis of West Virginia and New York. His natural talents for public affairs perhaps exceed those of any other candidate. He had several terms in Congress, where his success was immediate. As solicitor general in the Wilson administration he was referred to as to one born to command. His record as ambassador at the Court of St. James was exceptional. Not known as a progressive, and classed rather as a conservative, he would doubtless accept a nomination on a progressive platform that was not too much so to be applicable, and therefore more demagogic than democratic. He would make an able, conscientious, and impartial president, and the people would be justly proud of him. Of his own initiative he would inaugurate nothing novel, much less revolutionary. **Like Underwood, he would slash the tariff and would repeal more laws than he would enact.** "Keep the road open for human energy and human initiative" is his slogan. Foster human initiative, he says, and you will solve the labor problem. Like Underwood and McAdoo, he is an anti-isolationist in international policy. He is not a lawyer, but an apostle of the law. Desiring less law, the more would he enforce the law that is.

Senator Carter Glass, et al.

Senator Carter Glass, of Virginia, and F. F. V. at that, ranks well up with Davis and Underwood in culture and statesmanship. A student of finance, one of the authors of the Federal Reserve Act, and a former secretary of the treasury, he has served many years in both houses of Congress. A warm friend to McAdoo and an advocate of his nomination, Glass is yet in statesmanship and symapthies the antithesis of McAdoo. Yet the McAdoo followers, or many of them, say that Glass will be most acceptable to them if their hero fails of the nomination. A quiet, unassuming man, he has an acerberous tem-

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Among others prophetically talked about is Senator Thomas J. Walsh, Gov. Silzer of New Jersey, Senator Robinson of Arkansas, Gov. Sweet of Colorado, former Secretary of Agriculture Meredith, Senator Moses, David F. Huston of Missouri, and Senator Royal S. Copeland of New York and "Syndicated Health Hints."

The Old Timer Goes

And Makes Some on the Outlook for

> ***"The Old Timer"—***
>
> ***—is a purely imaginary character.***
>
> ***Yet, his market views and investment preferences are very tangible and practical things!***

THE Old Timer was in rare good humor. He had just cashed in his profits on an unusually successful campaign on the short side of the market and therefore had good reason to be cheerful. Outside the rain clattered against the plate glass, but when one has made a clean-up in the market it takes more than unseasonable weather to dim one's mental outlook.

Like the good market general that he is, Old Timer was wasting no time in living over the triumphs of the past. At the particular moment in which we are privileged to peep into his study and also into the workings of the old gentleman's brain, we find him busily engaged in planning his next market campaign. His furrowed brow and pursed lips attested to the concentration of his thoughts. The Old Timer was on a bargain hunt. The jungle of the financial district was his hunting ground, and his big game securities which were selling at less than intrinsic value. In place of a rifle, his right hand held a pencil with which he jotted notes from time to time upon a sheet of paper.

Old Timer never acted on "hunches," and his scorn of "tips" bordered close upon ferocity. He never bought or sold without a basis of solid fact. The underpinning of his investment structure consisted of statistics on earning power, assets, working capital, cash position, capitalization, bonded debt and the hundred and one items which go to make up income accounts and balance sheet. His theory of market operation was comparatively simple: Buy only good stocks and bonds of sound companies when they are cheap and sell them when they become dear. His problem, then, was twofold, to determine what stocks are good stocks and whether or not they were cheap. The only stocks which were good stocks, in the old gentleman's opinion, were those of companies whose record and financial positions were satisfactory and which were representative of prosperous industries.

One of the first securities on his list was the 6% preferred and participating stock of the *American Water Works & Electric Co.* For a long time he had been watching the improvement in public utilities in general and the growing earnings of this particular company. The second preferred attracted him strongly because after $6 is paid on the common the second preferred shares equally with the common in dividends. If the common could sell up to 69, he argued, the second preferred was easily worth more than a price ten points above the common and a continuance of the company's good earnings could easily mean par or better for the junior preferred issue. He was content to wait for the intrinsic value of the common to be reflected in its price, for meanwhile he would be receiving a current return of nearly 8% on his money.

Another utility which had a place on Old Timer's list was *International Telephone & Telegraph common.* He had heard the rumors that an increase in the dividend rate from 6% to 7% or even 8% was contemplated and that a new offering of stock would be made to the company's shareholders at substantially above the prevailing market, but he merely put down such reports as "interesting if true." What really attracted him was the fact that the company's earnings this year are running about 15% ahead of last year when $9 per share was shown on the common and the fact that at 73 the common returns 8.2% on one's investment. This high yield he attributed to the fact that the stock is a newcomer and not in the seasoned investment class. That the company is engaged in one of the most stable of all lines of industry, the telephone business, and that its management is an offshoot from the great American Telephone & Telegraph Co., he considered an ample counterbalance to the objection of youth.

Motors Next

Having selected two utility stocks which he regarded as on the bargain counter, the Old Timer next took up the motor issues. "It's all right to put all of your eggs in one basket and watch the basket provided you are carrying it," he mused, "but when your basket is entrusted to others, safety lies in diversification."

For a long time Old Timer deliberated between *Mack Truck* and *White Motors.* Both are strong companies, he reflected, intelligently managed, in excellent financial position and dominating the heavy truck field and the medium truck field, respectively. White has a working capital equivalent to $50 a share on the common, while Mack earned $20 a share last year and the current year's earnings are running at a slightly less rate. For each attraction one company possessed, the other had one equally as attractive. Finally Old Timer decided to let the current return decide the matter. Quickly figuring on his desk pad, he found that White returned 7.6% while Mack returned 7.2%, and so White became the choice.

Among the companies manufacturing pleasure cars exclusively he had no difficulty in deciding upon *Willys-Overland* preferred. Ordinarily, Old Timer would pass by the non-dividend payers, but in this case he made an exception for its vitality interested him. If this company could just escape the rocks of receivership and get itself out of the hands of the banks in a couple of years, he reasoned, the chances are that it would go forward instead of backwards. The fact that it is the third largest manufacturer of automobiles in the country and that the company is earning its preferred dividends many times over, in spite of the let-down in the motor industry, had not escaped the attention of Old Timer.

Moreover, he was a great admirer of the company's president John Willys, while admitting that Willys is not infal-

The Old Timer's Dividend Payers

	Price	Div Rate	Yield
A.M. Water Works par.p'd.	80	$6	7.5%
Int. Tel & Tel	73	6	8.2
White Motors	52	4	7.6
Southern Rwy.	59	5	8.4
Phillips Pete	35	2	6.0
Kennecott Copper	38	3	7.8
Pan-American "B"	48	4	8.3
Continental Can	47	4	8.5

a-Bargain Hunting!

Interesting Decisions Individual Stocks

lible any more than any other human. The fact that Willys was the one man on his board who steadfastly refused to start paying on account of accumulated dividends at the last meeting of the board of directors hit Old Timer in the right spot, for it showed that Willys had profited from the vicissitudes of the past. "I'll get par for that stock," said Old Timer, "even though I have a long wait. But buying 'em when they are green and waiting for them to ripen is the only sure way of making money in Wall Street."

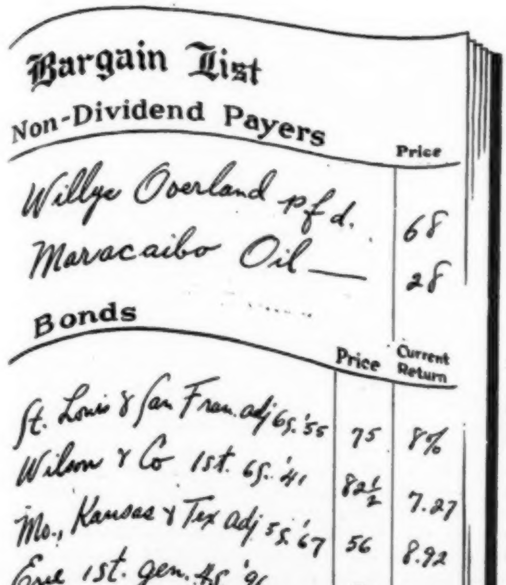
Nothing in Sugars

"Nothing doing" was the phrase Old Timer used in dismissing the sugar stocks from his attention. He had talked with his friends in the sugar business and had found nothing in the underlying conditions to warrant commitments in sugar issues.

Southern Railway he put on his list without a moment's hesitation and opposite to it wrote, "The South's greatest industry." It is not every day one can become a partner in a Morgan road which earned $12 on the common in the previous year and whose common stock returns better than 8%. Old Timer believed in the future of the South and thus believing, it was impossible for him to conceive of further development in that section of the country without Southern Railway benefiting correspondingly. The high yield of the stock only meant to him that investors, as usual, were sluggish in seizing upon opportunity. He recalled that for many months Bethlehem Steel sold on a very high yield as did General Motors before both of those stocks some years ago sky-rocketed into the financial firmament. Old Timer knew that the initial dividend of Southern at the rate of 5% was the fruiting of many years of planning and considered himself as very fortunate in being able to get his common stock at below 60.

Having so far compiled his list on the safety-first basis, Old Timer felt that he would be justified in putting in something with a speculative tinge. After careful consideration he added *Phillips Petroleum* and *Maracaibo Oil* to his list. The former just carried itself, returning 6% on a price of 35, while the latter paid no dividends. In these two instances the old gentleman was looking for future profits rather than immediate returns. He had been struck by the fact that, while the earnings of most all oil companies had shrunk last year, those of Phillips had climbed. There must be a reason, he cogitated, and set out to dig out the cause. He found that Phillips Petroleum owned some of the best properties in the Burbank field which was noted for its steadiness of production, and that Frank Phillips, the company's president, held the reputation as being one of the shrewdest oil men in the business.

Maracaibo's policy of developing its Venezuela properties on a royalty basis commended itself to Old Timer, for he knew that developing production in new territory calls for the highest degree of skill plus a long bankroll. He had watched Venezuela's production grow steadily year by year and believed that there were excellent prospects that an oil boom might materialize in the southern republic comparable to that which marked the Ranger, Texas, boom or the boom in southern California. If such proved to be the case Old Timer intended to be present at the party.



What About the Coppers?

"Buy the coppers when copper metal is cheap" rang through the old man's mind like the haunting refrain of a popular song. Heavens knows copper is cheap enough at less than 13c. a pound, and many of the copper companies are starving to death, he thought. But which copper to buy? For a long time he vacillated tween *Chile* and *Kennecott* but finally selected the latter because it represented a group of properties rather than an individual property. At 38, Kennecott returned approximately 8%, and when Kennecott passes its dividend, Old Timer reflected grimly there won't be any copper companies on a dividend basis.

> ***He Names—***
>
> ***—fourteen securities now active on the "Big Board" which he considers quite cheap.***
>
> ***Read his comments and learn why he favors these issues in particular.***

At this point in his studies Old Timer went carefully over the list he had made to see if he had made any miscalculations or errors of judgment. The reader will have preceived that in making up his bargain list Old Timer had two objects in mind. One was to obtain as high a rate of return as possible commensurate with safety and the other to choose securities which held out good prospects of appreciation in values. In other words, Old Timer was interested in *making his money grow*. He had been a simon-pure investor he would have devoted his attention chiefly to bonds and preferred stocks. So far he had chosen two promising utilities, two strong motor stocks, a brace of oils, one of the best of rails and one of the strongest of the coppers. He regarded the list with satisfaction and felt that his morning's work had not been wasted.

"But I nearly forgot about *Pan-American*," said Old Timer as he added the common stock to his list. "Seems to me," he went on thinking aloud, "that they've fired about all ammunition they have got against Ed. Doheny and his corporate offspring and we won't hear Ed's story until the matter gets into the courts. Ed has never been accused of being the kind of a fellow who buys a pig in a poke and it maybe that judicial decisions and politicians' decisions are hosses of different colors. Anyway, I see that Pan Pete earned practically $8 a share last year when the oil industry struck an awful slump, and I don't mind having a little Pan Pete around the house especially as long as it pays me 8% on my money."

Weighing *Martin Parry* and *Continental Can* common in the balance he finally decided upon the latter. He was aware

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What About the Curb Market?

Has Moving Indoors Helped or Hindered? — What Will Be this Market's Place in the Financial Community of the Future?

By RALPH RUSHMORE

> *"THE writer's opinion is this:*
> *"The Curb Market of today is as different from the Curb market of older days as black is from white.*
> *"It is as much more truly a well-regulated, smoothly-functioning and wisely-governed organization than it used to be as the Stock Exchange is by comparison with the time when its members foregathered under the butternut tree.*
> *"The Curb organization has much ground to cover before it can reach its 'peak', but it is covering new ground with every day that passes, and sooner or later it seems bound to reach its goal."*

FIVE years ago—only five short years ago—one of the "sights" of New York which no visitor from beyond the borders could afford to overlook was the swarming crowd of shouting and wildly gesticulating men and boys—sometimes as many as six hundred of them at once—who spent their days bunched up between tightly-drawn police ropes and supplying a thoroughly "open" market for securities that did not happen to be listed on the New York Stock Exchange.

These men were known as Curb Brokers. The market they supplied was known as the "Curb." And while, to the uninformed visitor, their weird "finger language," hoarse shouts and sudden darts to and fro were inexplicable, amazing, seemingly without definite purpose and certainly too confused and mixed to ever get results, yet they actually filled an essential need in the financial community, and, what is more, they made history.

Historic Episodes on the Old Curb

It was here, following the reopening of the financial markets after a protracted period of suspension, that the "Wall Street War Brides"—the ammunitions, shipping, copper and other stocks made immensely valuable by war conditions—first aroused public interest and later soared to unheard of heights. It was here that the dreams of many men came true—the dream of Isaac L. Rice, for instance, whose Electric Boat stock shot from around $6 per share to something like $590 per share; or the dream (one of the many) of J. Pierpont Morgan, the elder, whose International Mercantile Marine, long since grouped among the "hopeless speculations," at last met its needed opportunity, and saw its success promptly demonstrated by a meteoric rise in Marine shares on the Curb from a very few cents per share to very many dollars per share. (Of these two dreams, grimly enough, the first did not "come true" until shortly before the principle's death, while the latter did not come true until years after his death; yet the confirmation of long-cherished hopes was none the less glorious!)

It was here, on the old Curb, too, that hopeful boys became rich men over night—that some of the biggest fortunes ever made in Wall Street were made. It was here that "Bob" Duff, after a long period of apprenticeship, made his famous "killing" in Electric Boat; that "Freddy" Schwed, "Joe" Higgins, young Gonzales and many others forged into the Wall Street limelight as among the cleverest and, by the same token, richest traders in any security-market; that "Chet" Kerr and his comrades in the Standard Oil crowd saw the former subsidiaries of the Rockefeller trust reach their up-to-then highest levels. Many of these men long since capitalized their success on the old Curb by purchasing memberships on the New York Stock Exchange.

But of all the history made on the old outside market, perhaps the most important from the standpoint of everyone concerned, was the rise of the Curb Market itself in public importance, and its development as a security-market to a degree of importance second only to that of the New York Stock Exchange itself.

Where the Curb had, in former years, been known chiefly as a kind of security dump-heap, functioning largely as a market-place for issues not wanted (either by the exchange or the boards of the companies in question) on the New York Stock Exchange, it gradually became known as a place where dozens of the most important securities in Wall Street were actively dealt in. Where the members of the Curb (rightly or wrongly does not matter now) had formerly been looked down on as a kind of cross between roughneck, thug and highwayman, investors began to realize that, actually, some of the cleverest, most astute and most trustworthy of all financial men composed a large section of those belonging to the association.

Demands for Better Things

Inevitably, this sweeping metamorphosis in the position of the Curb, both in public opinion and in fact, led to demands among the better element on the Curb for corrections of the many abuses, inefficiencies and short-coming to which an outside and almost entirely ungovernable market was bound to be a victim. First and foremost, there was a demand for the introduction of some effective means whereby participation in Curb dealings could be confined to men worthy of membership and accepted to membership. Secondly, there was a somewhat similar demand for enforceable measures that would govern the securities to be traded in on the Curb. (In brief, these two demands were for a means which would at once enable the then Curb Association to dictate *who* should be permitted to buy and sell on its "floor" and *what securities* these individuals should be permitted to deal in.) There were also demands for proper means of disciplining members and enforcing the rules of the Curb—for means of controlling recalcitrant companies whose shares were listed on the Curb, etc. And finally there was an overwhelming demand, from outside as well as inside, for the installation of scientific, efficient, accurate and *official* facilities for reporting Curb transactions, when and as they occurred.

Those who knew the old Curb will remember how pressing this last need was. Under conditions as they existed then, the transactions that occurred were reported, subject very closely to the private discretion of individual traders, to financial writers who themselves reproduced these reports, subject to *their* discretion, in their various news publications. Thus, the chance of error and the possibilities of mis-statement were, to say the least, considerable. In addition, an "official" report of transactions was compiled each day by a firm of printers which kept one or two representatives circulating through the

crowd during the day; but here, too, the difficulties in the way of complete, thorough and never-failing accuracy were practically insurmountable, however sincere the intentions.

Old-timers on the Curb will tell you that the one thing lacking from the organization of today is the physical presence of E. S. Mendels, "Pop" Mendels as he was called—the one-time "Daddy of The Curb."

When the Curb was a heterogeneous assortment of honest men, opportunists, slick traders, gambling traders and out and out crooked brokers, Mr. Mendels became in some way—no one could tell how—the leader of the decent element. Did one of the group die or suffer hardship, it was "Pop" who passed the hat, or stopped proceedings long enough to enable him to make the announcement.

So, when disputes arose, it was to "Pop" they turned for settlement. He would hear the testimony and decide wherein right lay. Then, when some broker would seek to induce others to trade in securities of some company hitherto unknown to them, it was to Mendels they turned for information, knowing that if he didn't have any dependable information regarding the stock he would get in personal touch with some official of the company and obtain it.

This was the origin of the "Curb Listing." In order to facilitate the work Mendels had forms printed, elected himself Curb Agent, and sought to prevent crooked or questionable brokers from trading.

The Old Curb as it was five years ago

But the system of transaction reports, as practised on the old Curb, was absurdly inadequate. No wonder the public, as well as the better element within the membership, clamored for a change!

How the Housing Scheme Was Put Through

It was when these demands for a "better" Curb market had about reached their height that a group of Curb brokers, principally under the leadership of E. R. McCormick, and warmly supported by J. L. McCormack, and other influential members forged into being a little ambition of their own: That ambition was to house the Curb—put it under a roof; establish a ticker service; perfect its rules of organization and membership; in short, make a *real* stock exchange out of it.

It took courage to put this ambition in effect. It took persistence, patience and shrewd planning. It took what may be politely referred to as intestinal investiture. There were all kinds of opposition from all kinds of quarters, of which perhaps the most vigorous was from those who could read their own particular little dooms in the housing of the market.

Fortunately for the Curb and all those who deserved better things, however, and serving as a very substantial testimonial to the business perspicacity and high motives of the great majority of Curb men, the necessary courage and persistence were forthcoming in sufficient measure to put the big change through. After negotiations that lasted for all of five years, planning, cross-planning and counter-planning galore, premature newspaper reports, weird rumors and not a few false starts, a site for the new Curb, west of Trinity Place, was selected, architect's plans were drawn up and approved and, finally, in 1921, after years of service as an outside market, functioning every day, whether in sunshine, rain or blizzard, the old Curb moved indoors.

The Curb has been indoors now for all of three years. As time goes, that is a good, long period—a sufficient period for the market to have found itself in, if it was ever to find itself, and to prove the housing idea right or wrong.

Is the answer favorable or unfavorable? Is the indoor Curb better than the outdoor Curb—or worse?

The writer, who once knew most the curb men by name but who disclaims

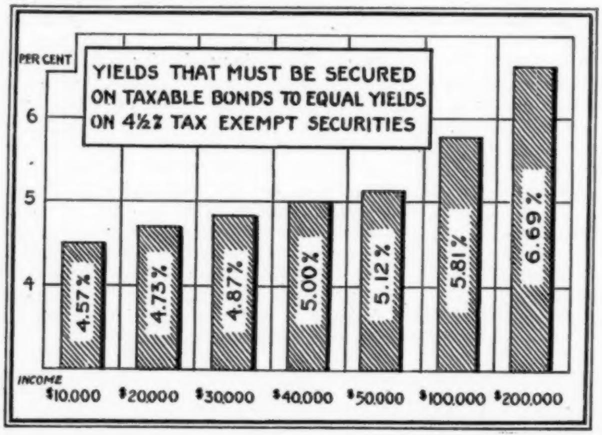
(Please turn to page 317)

The New Curb as it is today

How the New Tax Law Affects Investors

Light Cast on the Provisions of the New Tax Law

OWING to the reduction in the rates of taxation on incomes provided in revenue act passed by Congress, investors are showing a greater interest in the investment market, and this has been reflected in the somewhat higher levels of bond prices since passage of the act was assured. An examination of the figures, however, discloses that there is practically no inducement for those who have large incomes to divert their funds into productive channels, as the present rates fail to have the effect which the Secretary of the Treasury desired to secure when he recommended surtax rates be graduated up to a maximum of 25% for the purpose of releasing for productive purposes, capital which had scurried to the haven afforded by tax-exempt securities. It would appear, therefore, that recent activity in the market for taxable bonds is the result of the shifting of investments of individuals whose incomes do not find a place in what is known as the higher brackets, and in the purchases of Liberty bonds by banking and other institutions seeking temporary investment of their funds owing to lack of demand brought about by the lessened commercial activities throughout the country.



The situation, so far as it affects individuals with large incomes is illustrated by examination of the tax results affecting those in the $50,000 and $100,000 class. The total tax under the new bill of a married man, having an income of $50,000 a year, with allowance of $10,000 for earned income, is $6,095. Earned income has been defined in the revenue bill as amounts received from salaries, wages, professional fees, etc., as compensation for personal services actually rendered, although it does not include any compensation derived from a distribution of earnings or profits by a corporation. On such defined earned income, a 25% reduction from the normal tax has been allowed, but Congress in its wisdom has declared that not over $10,000 can be considered as earned income under any circumstances, although total receipts not exceeding $5,000 are considered earned for the purpose of the act.

Assuming that half of the income is derived from his business, the taxpayer, in this instance, would have to pay in taxes $1,565 on his actual earned income, and on the $25,000 derived from his investments, his taxes would in reality amount to $4,530, as the total tax on his $50,000 income is $6,095. **He, therefore, has to pay 18.12% of the revenues received from his investments to the tax gatherer. On the other hand, if his entire revenue were derived from securities, his tax bill would be $6,137.50, or 12.75%.**

The man with an income of $100,000, who receives half of it from his business, must pay a tax of $22,575 annually. Charging his total tax of $6,095 which he would have to pay on his actual earnings from his business, **he has to give the Government $16,480 from the $50,000 derived from his securities, or 32.96%, whereas the man engaged in no business, obtaining his $100,000 income from his investments, must pay $22,617.50 or 22.6175%.**

Leaving out the question of the desirability of capital being engaged in active business enterprises thereby increasing employment and thereby sustaining maintenance of existing living standards brought about by employment in industry rather than investment in tax exempt securities, these figures show another side of the tax bill, that is the failure of its sponsors to frame a measure that from a fundamental standpoint would prove beneficial owing to increased commercial activity. The man engaged in business from which half of his income is received obtains practically no recognition from the Government for his efforts along constructive lines. The very small amount representing the difference allowed for earned income between $5,000 and $10,000 is, of course, insignificant. **In the larger sense, savings as a result of success in industry through personal effort is penalized by the higher percentage of taxes taken from such savings as compared with already invested wealth.**

From the above, it will be seen that the source of income is an important influence in consideration of proper media for investments. If a person with an income of $50,000 a year, has to give up over 18% of the revenue received from his security investments to the Government, he will naturally demand more than the difference in return to compensate him for whatever risk may be involved in choosing his investments as compared with the general freedom from concern were he to place his funds in good tax exempt bonds.

He would have to obtain bonds yielding over 5½% to equalize the return he would receive from the tax exempt issues. High-grade mortgage railroad bonds sell on a basis yielding 4¾% to 5¼% with the general average being around 5%. There is nothing in the situation to warrant purchasing such issues by the wealthy business man when tax-exempt securities are obtainable on an equal or more attractive basis. The man who derives all his income from investments likewise finds no advantage in buying gilt-edge railway, public utility or industrial securities when he can do just as well with other issues on which he does not have to pay taxes.

Among the more wealthy, with incomes of $100,000 annually, the contrast is even more marked. To give up practically 33% of his income from investments for taxes means he must secure a return of over 6¾% from taxable bonds to secure the same income as he would obtain from tax exempt bonds. If his income is derived from securities only, and his present tax is 22.6%, he must get a return of over 5.8% to approximate his net revenue from 4½% tax exempt bonds. Where can the investor obtain gilt-edge mortgage bonds on such a basis in the present market?

From the above, it will be readily seen that persons with large incomes cannot be attracted to industry in competition with the flood of tax-exempt securities which have been and are being issued. Higher income for them appears only obtainable from good preferred or common stocks selling on an attractive basis. Of course, preferreds involve a greater degree of risk than good bonds, whereas placing their funds in good common stocks would be a distinctly speculative proposition as compared with their present investment status. Most investors would prefer to retain Government or municipal securities than venture their money in such stocks. For these reasons, the new law will probably have little effect on securities in general.

Do You Know—

That one of the best-known commercial rating companies automatically suspends its ratings on a business enterprise immediately upon the death of an important member of the firm?

That heirs who have been left "my interest in my business" frequently find that this interest cannot be liquidated without great loss in value?

That surviving partners of a business man who passes on often see the credit of their company totally destroyed merely because of that business man's death, and not because of any real change in the status or inherent earning power of the business itself?

That all these jeopardies and contingencies actually are (in varying measure) avoidable—and avoidable by a simple, efficient and extremely economical means? READ:

How You and Your Partner Can Protect Your Partner—and You!

By C. F. HAYES, JR.

AS a general rule, there will be only two classes of people concerned in the answers to the questions appearing in italics above. In the first class may be placed all those of your family who will appear as beneficiaries under your will, besides your business partners — associates —co-directors — or whatever you may choose to call them. In the second class may be placed you, yourself.

The settlement DURING LIFE of a business interest in even a comparatively small concern is often no mean undertaking. Most business men come to realize this at some period or other during their lives—for the path of many a business venture has been far from smooth. But, the ability to look after your business interest (be it a majority or a minority one) during your lifetime, and the ability of others to do so upon your death, are two entirely different propositions.

Like your stocks, your bonds or your real estate, your interest in your business may pass to whomever you choose to name as beneficiary in case of your death. On the other hand, it generally proves to be a peculiarly indefinite legacy for at least a considerable period of time after your decease—indefinite, that is, as to real value, enjoyment, beneficial control; indeed, it is not difficult to conceive of a case where you might have reasonably prompt beneficial control of this legacy, but be able to provide very little actual enjoyment therefrom. Such a situation, of course, would seriously embarrass the classes of persons which I have mentioned above.

Let us take a practical illustration in which the names are fictitious, but in which the business interest of each party is not—I venture to say—by any means an exaggerated hypothesis. Perhaps from it there may be deduced at least one practical solution to the problem which may safely be said to be applicable to a very large number of cases—and probably to your own.

The Case of "Mr. Kimball"

Some years ago, Kimball founded a business which bears his name today. He started alone, and in a small way. From the outset, the business was restricted to the production of advertising "posters" such as we see in the subways, street cars and grocery stores. The poster advertised everything from soup to nuts.

From the outset, also, there were two major divisions of the business upon whose activities at all times depended the prosperity of the enterprise. In this respect it differed in no way from any other business. Every such organization has its essential divisions, and Kimball found his to be (A) the securing of orders and financing, (B) the creation of the "posters" and production.

No one has emphasized more fully than the late J. P. Morgan how much the character of the individual has to do with the granting of necessary business credit. Through sheer force of personality and ability to inspire confidence, plus the reputation of always having "come through," Kimball gradually built up a tremendous asset for his business in the shape of the confidence which the trade and his bankers came to place in him. Practically every business has at least one such individual.

Nor was the other vital division of his business of merely a passing interest. Rare, indeed, is the business today that can afford to minimize the value of the

man who creates its new, ingenious ideas and supervises their reduction to the more tangible, concrete article of production.

At first, Kimball tried to do it all alone. Ultimately, Marsh acquired a minority business interest, and the firm was incorporated. Kimball then confined himself wholly to the financial and selling end of the business. Marsh, a clever commercial artist, assumed the responsibility for the getting up of all designs and the supervision of their complete production.

The corporation was capitalized for $100,000.00, and was worth every nickel of it—to these two men. Just what it was worth to anybody else—to their estates or to either of them upon the death of the other—was another matter. Kimball owned 60% of the stock and Marsh 39%.

Kimball's problem was "What will become of my $60,000.00 when I die? Will my executor be able to find a purchaser at 100 cents on the dollar, or must my interest remain in the business (about which my family dependents know nothing) and be subject to the more uncertain future which my less experienced associate is bound to face in carrying the business without me?"

Marsh had also a problem, namely, "Where am *I* going to fit in this business if Kimball dies? Into whose hands will his controlling interest pass? Can *I* maintain the credit and trade *he* has built up—and how will *I* get along without *him?*"

As a result of these speculations a conference was held, and the following plan adopted for the benefit of all concerned:

The lives of both Kimball and Marsh were insured by the corporation upon the Ordinary Life plan, and the policies were assigned to the corporation. This was perfectly legal, for the courts have repeatedly held that *any relationship with reference to property or money out of which one of two parties might lose in the event of the death of the other party, will furnish a sufficient insurable interest to sustain a contract of insurance.*

Then a legal agreement was drawn up in triplicate, and executed by Kimball, Marsh and the corporation. The main provisions of this instrument were substantially as follows:

1. The policies of Life Insurance already mentioned were clearly described.

2. The proportionate business interest of each of the men was defined.

3. Kimball and Marsh were to fix a value per share on the stock of the corporation at least once each year, and to endorse that value upon the back of the instrument—the last valuation representing the current quotation of the stock, so to speak. Arbitration was provided for in case of dispute.

4. Upon the death of Kimball or Marsh the corporation would purchase as much of the decedent's stock as the insurance proceeds would buy, and the survivor of Kimball and Marsh agreed to purchase the balance—all this to be within a stated period after the appointment of the executor or administrator.

5. The premiums were to be paid by the corporation, and any policy dividends were to be applied in the reduction of the premiums.

6. The agreement could be cancelled at any time for any reason by mutual consent of Kimball and Marsh.

7. If Kimball and Marsh should elect to discontinue the agreement, then Marsh should have an option upon the death of Kimball to purchase sufficient of the other's stock at the fixed price to enable him to then have the controlling interest in the business.

MR. HAYES IS WRITING ARTICLES IT WILL PAY YOU TO READ!

His first article appeared in the February 16th issue, under the title, "What are you doing to protect your Estate from loss?

His second article appeared in the May 24th issue under the title, "How to increase your net Estate by wise provision for Estate and Inheritance Taxes."

The accompanying article is his third to appear in these columns. Like its predecessors, it will repay a careful reading and contains a message of particular significance and value to business men.

8. The policies of insurance could be changed to personal insurance by Kimball, Marsh or both, providing they mutually agreed and the corporation would be paid the cash value at the time of the change of any policy so converted.

9. Either Kimball or Marsh could sell their business interest during their life, but would first give the other an option for ninety days to purchase it at the fixed price.

Can Others Follow the Same Plan?

While this was a Corporation, the writer wishes to emphasize that both Partnership and Sole Proprietary business interests are often faced with a very similar problem. Experience has shown that the average case is far better taken care of through a combination of Business Insurance and a properly drawn Business Agreement than in any other way. The number of individuals involved is generally immaterial. Every business (like every individual estate) has its own peculiar problems, and your specific case, of course, will require competent advice, especially in regard to the laws of your state. Only some of the more important and common provisions of the Business Agreement have been mentioned here.

Can the premiums be deducted as a business expense under the Federal Income Tax Law? Unfortunately, as a general rule—no. Where a taxpayer benefits directly or indirectly under the policy there can be no deduction. On the other hand, the premiums may be deducted as a legitimate business expense—assuming that the proceeds of the policy if paid, would not be used in satisfaction of any obligation of the taxpayer.

Assuming that when Kimball took Marsh into the firm as a partner, the taking out of the insurance upon his (Kimball's) life to protect the new partner against loss in case of his death was a strict condition to the continued investment of Marsh's money in the business—then it has been held that such would constitute a legitimate business expense, and hence be deductible under the Federal Income Tax Law.

Those Medical Examinations

But suppose Kimball could not pass the medical examination for more insurance—even though it was purely for the business?

In the first place, such a condition would be about the most powerful argument one could possibly imagine for *some* kind of immediate action relative to the protection of the business interest. An argument in which both Marsh and Kimball's family dependents would join forces. No man, ordinarily, wants his partners widow for his new partner any more than she cherishes the thought of inheriting her husband's business debts and troubles. Where a partner has put all of his wealth—real and personal property—into the business, very often a hurried liquidation of the partnership is *forced* in order to pay heavy taxes. The value of the business interest which he has bequeathed in all good faith to his wife or daughter then becomes exceedingly doubtful. Some creditors might patiently wait for the business to pick up again, but to a large extent this would not be so in respect to various obligations of the deceased partner to the Federal Government and the certain States in which part of his property was taxable.

It it any wonder that the banks, being to a very large extent the creditors of Corporations, Partnerships and Sole Proprietary business firms, give both moral and financial support to such an arrangement as Kimball and Marsh entered into?

If Kimball could not pass the medical examination, let one or more of his exist-

(Please turn to page 308)

Are the Bucket Shops Coming Back?

What The Magazine of Wall Street Discovered — Dist. Atty. Banton's Pessimism — The Present Outlook

BY A STAFF WRITER

WAITING 'ROUND THE CORNER

ARE the bucket shoppers coming back into Wall Street? The answer to this question means much to the financial district and much to the investor. If answered in the affirmative it means that the financial housecleaning of the last few years has failed in its final objective, that of completely ridding the street of bucket-shop vermin and keeping it cleared. It means that our present laws and the methods of enforcement are inadequate, that we have merely succeeded in scotching the snake, not killing it.

It means, as time goes on and agitation dies down that the bucketeers will become bolder and more skilful in their methods until another crusade is precipitated. This will take a long time. About twenty years elapsed between what may be called the first bucket-shop crusade and the recent or second crusade. It means that reputable Wall Street will be blamed for the misdeeds of its disreputable members, for the unthinking public tars all of Wall Street with the same brush. And it means finally that the development of investment confidence will not only be retarded but perhaps severely hurt.

Mr. Banton's Statement

In a recent interview with a representative of THE MAGAZINE OF WALL STREET, Joab H. Banton, District Attorney for the County of New York, said:

"But the bucketeers are coming back. Already many of them have started up in the financial district under different names. I can do nothing until I receive complaints. And that means after the bucketeers have failed and the money of their victims has been dissipated."

Truly a serious matter, if one takes Mr. Banton's remarks at face value. But one must remember that Mr. Banton was discussing the so-called "Banton laws" which had failed of passage at Albany and probably unconsciously took the most pessimistic view possible of the bucket-shop problem.

In order to get at the root of the matter, this publication has made a further examination of the bucket-shop situation. **Our conclusion is that there is nothing to indicate that the bucketeers have come back into the financial district in any considerable numbers or that they are doing the old business at the old stands under new names.** True, the District Attorney mentioned the name of one bucketeer who has started a new "brokerage" firm under an assumed name, but that, as far as we have been able to ascertain, is an isolated instance. It is, if the reader will forgive the unintentional pun, only a drop in the bucket.

A goodly percentage of the bucketeers have not come back for the reason that it is physically impossible for them to do so. They are summering, and wintering too, at Ossining-on-the-Hudson and at Atlanta, Ga. As the result of the second bucket crusade, eighty-nine bucket shops were put out of business with liabilities of approximately $116,000,000. Net assets were not in excess of 10% of liabilities. To date, the District Attorney's office has secured forty-seven convictions, and there are nearly as many pending. Those in jail cannot come back and those under indictment are busy figuring how to keep from behind the bars. With all its effrontery, the average bucketeer does not dare attempt a come-back while a prison sentence is hanging over his head.

If the District Attorney meant that many of the individuals employed by bucket shops have obtained employment in the Street he is quite correct. But in most cases it is unfair to brand such individuals with the stigma attached to their bosses. In practically all bucketing firms only the partners and one or two confidential employes were cognizant of what was going on. In more than one instance it has been revealed that the fact that a firm was an out-and-out bucket shop was not known to all the partners. Usually a "master mind" directed the bucketing operations in each firm and found little difficulty in concealing the truth from more honest but less astute members of the firm.

Some of the larger bucket shops had highly developed organizations. They hired able, and in many cases, entirely honest men to do the clerical and statistical work. The market letters of many of such firms left little to be desired on subjects and regarding securities in which the "house" was not directly interested. It is no more fair to brand the under-employes of such firms than it is to blame the clerk in a bank which fails.

Difficulties of Coming Back

One reason why the bucketeers will be slow in coming back is that there are numerous obstacles to that process. Perhaps the greatest obstacle to the returning bucketeer is the aroused and intelligent public opinion on the subject of bucket shop. Owing to the intensive educational campaign which this and other

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C. A. Spreckels, President of the Federal Sugar Refining Co., one of the world authorities on the sugar industry, gives his forecast of the future. Read "Sugar—Another Prince and Pauper Industry", on page 270.

The Surprise of the Railroad World

How the Southern Roads Are Faring —The Outlook for Their Stocks

By JOSEPH M. GOLDSMITH

THE economic development that has occurred in the South during the last decade has materially improved the outlook for the various railroad systems which serve it. The South has forged ahead at a very rapid pace during the last few years and its progress has been reflected in the increased traffic and larger revenues of its common carriers. They occupy a more favorable position today than ever before in their history.

Growth of Manufacturing

In days gone by, practically all the cotton raised in the southern states was either sent to New England or abroad to be put through the various stages of manufacture. Although this situation still exists to a considerable degree, the proportion consumed in southern mills has increased tremendously. New England is gradually losing ground because of the proximity to the raw material and cheaper labor which the establishments located in the south enjoy.

To illustrate the growth that has actually taken place it is only necessary to compare figures for 1910 with those for 1922. In the former year southern mills consumed 2,292,333 bales, while in the latter it had risen to 3,977,847 bales. In the same period New England had shown a decline in the amount consumed.

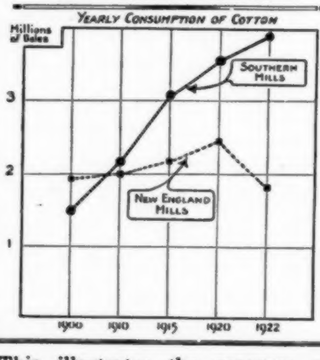
The Birmingham district in Alabama, often called the Pittsburgh of the South, has greatly expanded its output of iron and steel products. All this industrial activity involves the transportation of larger quantities of coal and manufactured products. Nothwithstanding the strides that have already been made all indications point to continued progress.

Agricultural Development

Although cotton is still the big money crop in the south, diversified farming and live-stock raising have been introduced on an extensive scale. This will tend to create greater stability and lessen the violent ups and downs which sole dependence on a single crop makes inevitable. Truck farming for the northern market and the phenomenal growth of the citrus fruit business in Florida, have added materially to the south's income.

It is still true, however, that the value of the cotton crop is extremely important. When the cotton grower is able to realize on his product at a profitable figure conditions generally boom. This explains the unusually large purchasing power which the south has possessed in recent years.

ONE REASON WHY SOUTHERN MILLS HAVE DONE BETTER THAN THOSE IN NEW ENGLAND



This illustrates the progress of southern cotton mills as compared with those in New England and, together with other factors, accounts for the rapid increase of prosperity in the South and, consequently, among the railroads operating in southern territories.

If the price of cotton is depressed business is similarly affected and as a result railroad traffic declines. We may still expect to find these variations in the tonnage hauled by the southern roads, but the trend will unquestionably continue upward.

Increase in Revenues

The gross operating revenues of the important southern roads have improved remarkably, because of the increased tonnage which they have been called upon to handle, as well as the general advance in rates which has taken place. Over a period of ten years the total revenue of the southern systems has increased at a rate which has compared very favorably with the average growth for the country as a whole. As a result most of the carriers in the south are earning at a higher rate than ever before. The remainder of this article is devoted to a brief analysis of each of the five large southern roads.

1. ATLANTIC COAST LINE

The Atlantic Coast Line has a well diversified traffic which, although not particularly heavy, is hauled at a high average rate. It consists largely of fruits and vegetables which are moved in specially equipped cars and on a very fast schedule. The winter months normally produce the major part of the year's net revenues, for this traffic is carried mainly at that period of the year. The passenger travel to and from the Florida resorts is also at its height in the winter months and this is a very important source of revenue for the Coast Line.

Since 1917 the regular dividend has been 7%. During the past two years earnings have been much in excess of the amount distributed to stockholders. In 1922 they were nearly $17 per share, and in 1923, $18 per share. Consequently, substantial sums have been reinvested in the property. The book value of the common stock is now above $190 per share.

The Atlantic Coast Line owns 51% of the stock of the Louisville & Nashville and derives a large income from this outside investment. The community of interest between the two roads has also resulted in advantageous traffic arrangements. **The income which the Atlantic Coast Line receives from its outside investments comes within $3,000,000 of covering its own fixed charges, so that the greater part of its net income from operations is available for its stock.**

The company recently declared an extra dividend of 1% which is payable at the same time as its regular semi-annual dividend of 3½%. It is uncertain whether

the extra 1% will be paid twice yearly or only once a year. **However, even as an 8% dividend payer, the stock represents an excellent investment at present levels of around 120 with a yield of 6⅔%, and should ultimately sell at considerably higher levels.**

2. LOUISVILLE AND NASHVILLE

The Louisville and Nashville which operates over 5,000 miles of road, is as previously mentioned controlled by the Atlantic Coast Line. In the early part of 1923 the company increased its capital stock by the declaration of a 62½% stock dividend. The 7% dividend which was being paid was at the same time reduced to 5%, which was equivalent to 8⅛% on the old capitalization.

Following the Board's intention of increasing the dividend as soon as earnings permitted, the rate was raised to 6% on May 15th of this year. The expectation was rather general that when the rate was increased, the former 7% dividend would be restored. It is unlikely, however, that the present rate will be changed in the immediate future.

The 6% dividend is well secured by the road's earnings since income available was $9.60 per share on the present capitalization in 1922 and $11.50 per share in 1923. Due to a slump in coal traffic gross revenues are slightly lower this year but the 6% dividend will probably be earned with an ample margin to spare. At its current price of 92 the yield is 6.50%. **With little prospect of any further change in the dividend the stock is relatively high, speculatively, but is worthy of considering as part of an investment list for income purposes.**

3. SEABOARD AIR LINE

The Seaboard Air Line is the main competitor of the Atlantic Coast Line, but its route is further inland. Its financial history has not been nearly as successful as that of the Coast Line. At the termination of Government control, the property was in very bad condition and during the next two years the company was perilously near a receivership. It managed to pull through, however, and its recovery has been very rapid.

Until recently, the Seaboard lacked sufficient equipment to handle its traffic and its annual debit balance due other roads for hire of equipment was a large drain on its revenues. The situation has now been remedied by rebuilding a large portion of its old equipment and by the purchase of additional rolling stock. This will greatly reduce its equipment rents and should save the Seaboard more than $1,000,000 per annum. In the first quarter of 1924, the improvement in this respect has been considerable.

In 1923, the company earned a substantial surplus over all charges in place of a deficit in the preceding period. Payments were resumed on the Adjustment 5s which had not received anything since 1920. The $1,250,000 required to pay 5% on these bonds was earned more than twice over. There is still 12½% of back interest remaining to be paid on this issue.

Results of the first quarter of 1924 have been decidedly more favorable than last year during the same period. Gross revenues were higher and net operating income of $2,735,000 compares with $1,644,000 for the first three months of 1923. Although this rate of improvement can hardly be expected for the balance of the year, it is likely that last year's earnings will be exceeded by a considerable margin.

The Adjustment bonds have had a very rapid advance and are now selling at 56. It is questionable of course whether the company will deem it advisable to pay off any of the back interest, but there is little doubt, however, that annual payments of 5% will be maintained.

Seaboard preferred stock is now selling at 21 and seems to have partly discounted the improvement in the road's situation but still offers a fair speculative opportunity. It will be a number of years, however, before the question of paying dividends on this issue can be expected to come up. The common stock at 10 is still further removed from any such possibilities.

4. SOUTHERN RAILWAY

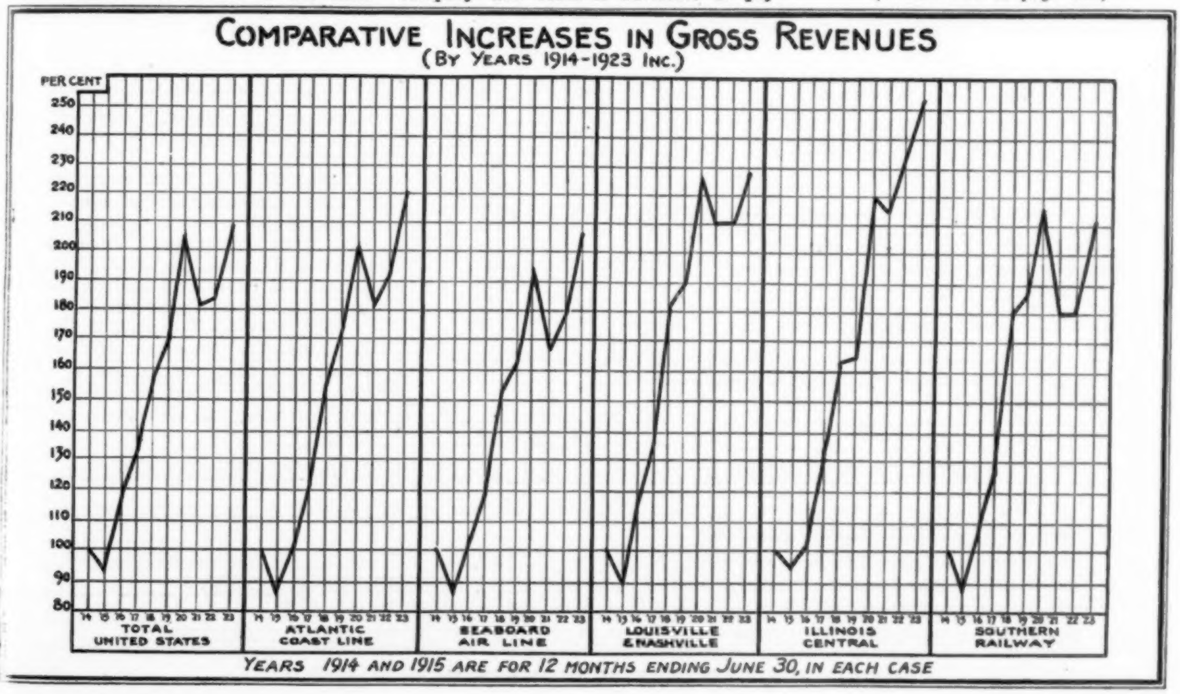
The Southern Railway has made exceptional progress in recent years. This was clearly illustrated by the recent inauguration of dividends at the rate of 5% on its common stock. This is the first dividend since the company was incorporated 31 years ago.

It was overburdened at the start with a funded debt which was too heavy when considered in relation to its earning power. Fixed charges consumed too large a percentage of gross revenues. The growth in traffic and the higher rates now in effect have reduced the burden of interest charges. The reinvestment in the property of large sums since the date of organization have built up a real equity for the common stock, whereas at the outset there was practically none existent.

Gross revenues in 1923 were 150 millions, which compares with 128 millions in the preceding year, and 71 millions in 1914. The net income available for the common stock which in 1922 was $4.85 per share, was equal to about $10 per share in 1923. The dividend thus was earned with a good margin of safety.

Both gross revenues and net operating income have fallen off slightly in the first

(*Please turn to page* 316)



How Earnings of Leading Railroads Compare

Prospective Era of Consolidation—Some Roads Earning Large Amounts

WHILE the railroads of the country showed a decline in April gross of 9.3% and a decline in net of 8.5% as compared with last year, returns for the month were not unsatisfactory for comparison is with an unusually good month in 1923. Operations of the individual roads in April varied greatly, some did remarkably well whereas others made a disappointing showing. The decline in gross was quite general but many roads that made unusually large expenditures for maintenance last year were able to reduce operating ratios sufficiently to more than offset the decline in gross.

It is now quite apparent that we are in an era of railway consolidation. The Government is not only permitting but encouraging the development of larger systems and the elimination of the small independent roads provided such consolidation is not attempted along lines that would eliminate healthy competition. As will be noted in the accompanying table giving the rate of earnings for the first four months of this year, many of the smaller railroad systems are now showing a substantial earning power and, while financial condition may not warrant the payment of large dividends, should any of these roads be taken over by larger systems, this earning power would warrant a very much higher price for the stock than current market quotations.

The Southwestern group continues to make an excellent showing and several of these roads' securities now appear attractive. The Southern roads are also doing well. The traffic in the South and Southwest is not likely to be severely affected in the coming months by the general recession in business and earnings of roads operating in this territory can be expected to hold up well.

Among the roads whose earnings for the first four months of 1924 are showing the greatest percentage earned on the present market prices of the stocks are:

New Haven, although now showing large earnings, is still decidedly speculative as the financial structure of the road has been greatly weakened by deficits over the past several years. Moreover, with many textile mills closed in New England and a general recession in manufacturing activities, traffic on this road will probably decrease considerably in the next few months.

Seaboard Air Line is prosperous through the development of Florida as a winter resort, and the outlook for this road appears promising. *Texas & Pacific* and *Missouri, Kansas & Texas* earnings should continue to hold up well and both stocks appear attractive. Earnings of *Erie, Wabash, Chesapeake & Ohio* and *St. Louis-San Francisco* will probably recede somewhat in the coming month but taking this into consideration the stocks still appear attractive at present levels.

*ANNUAL RATE OF RAILROAD EARNINGS BASED ON FIRST FOUR MONTHS OF 1924

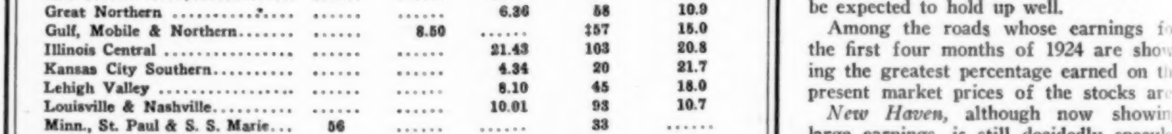
The following table gives the annual rate of railroad earnings, based on operations for the first four months of 1924, allowing for seasonal fluctuations of traffic of each individual road:

Road	% Charges Earned	$ Per Share on Pfd.	$ Per Share on Com.	Present Price	% Earnings on Mkt. Price
Atchison	......	......	9.52	103	9.2
Atlantic Coast Line	......	......	20.21	124	16.3
Baltimore & Ohio	......	......	9.57	55	17.4
Canadian Pacific	......	......	10.00	146	6.8
Chesapeake & Ohio	......	......	21.42	79	27.1
Chicago & Eastern Ill.	85	......	......	26	......
Chicago, Rock Island & Pac.	......	......	0.80	26	3.8
Chicago Great Western	......	0.27	......	‡12	2.3
Chicago, Mil. & St. Paul	69	......	......	12	......
Chicago North Western	......	......	8.24	54	15.2
Delaware & Hudson	......	......	12.14	115	10.6
Delaware, Lackawanna & W.	......	......	9.40	122	7.7
Erie	......	......	10.22	28	36.8
Great Northern	......	......	6.36	58	10.9
Gulf, Mobile & Northern	......	8.50	......	‡57	15.0
Illinois Central	......	......	21.43	103	20.8
Kansas City Southern	......	......	4.34	20	21.7
Lehigh Valley	......	......	8.10	45	18.0
Louisville & Nashville	......	......	10.01	93	10.7
Minn., St. Paul & S. S. Marie	56	......	......	33	......
Missouri, Kansas & Texas	......	12.00	......	‡37	32.4
Missouri Pacific	......	8.90	......	‡48	18.5
New York, Chicago & St. Louis	......	......	11.24	81	13.8
New York Central	......	......	21.13	103	20.5
N. Y., New Haven & Hartford	......	......	6.00	20	30.0
Norfolk & Western	......	......	10.72	122	8.7
Northern Pacific	......	......	6.20	54	11.5
Pennsylvania	......	......	7.53	44	17.1
Pere Marquette	......	......	10.90	51	21.3
Reading	......	......	7.00	55	12.7
St. Louis-San Francisco	......	......	11.89	22	54.0
St. Louis Southwestern	......	......	8.00	39	20.5
Seaboard Air Line	......	5.63	......	‡23	24.5
Southern Pacific	......	......	9.00	89	10.1
Southern Railway	......	......	12.10	59	20.5
Texas & Pacific	......	......	10.14	30	33.8
Union Pacific	......	......	17.00	131	13.0
Wabash	......	......	4.18	15	26.6

* Earnings given in this table are not an estimate of the full year's results but simply indicate the annual rate of earnings for the first four months.

‡ Preferred stock.

CUMULATIVE · SOLID JAN. 1st TO DATE · SHADED REMAINDER OF YEAR



RAIL FREIGHT TRAFFIC (NUMBER CARS LOADED)

Amer. Ry. Assn

School for Traders & Investors

Thirty-Third Lesson

How the Small Trader and Investor Should Conduct Himself in a Bull Market

FOLLOWING our discussion of some of the general principles to be observed in bear-market operations in the last issue of this Magazine, it seems fitting to review a few of the more important points to be kept in mind under directly opposite conditions.

It has been pointed out that the usual warning of the approach of a bear market is great activity in numerous speculative issues, unusually large volume over a period of several weeks, sudden bulges of the more volatile stocks, and repeated failure of averages to reach their record levels, together with a series of new low records for these averages. In general, the manifestations of the beginning of a bull market are not so clear, and they are usually in greater variety.

So far as volume is concerned, conditions are usually just the reverse of those that obtain at or near the top of the major cycle. Whereas the volume is unusually large at the top of the market, it is often very small at the bottom, in fact at the lower levels the volume almost dries up, and day after day the character of the trading is listless, with almost entire absence of public interest.

Signs that Bear Watching

Whereas repeated bulges fail to make higher tops when the general market is near its peak, so repeated sinking spells fail to make new lows near the bottom of the market. In this respect there is an interesting and significant contrast. At the same time there is a decided difference in the nature of the news and propaganda. Near the top of the market there is much bullish news, accompanied by rumors of higher dividends, new high record earnings, stock dividends, melons, etc., all calculated to convey the impression that "the roof is about to blow off." Some of this news is innocent comment, but most of its is designed deliberately to assist in the distribution of stocks before the weakened technical position of most speculative issues becomes apparent, or in other words, so that "inventories" of speculative stocks may be greatly reduced or completely eliminated before the general public realizes that a complete readjustment of the general price level is imminent.

On the other hand, near the bottom of the market, the news is usually discouraging, and continues to reflect unsatisfactory business conditions. At such a time, the rallies are not sufficient to inspire buying interest; and numerous sudden reactions or "sinking spells" are designed for the purpose of, or at least have the effect of shaking out stock from the hands of weak holders. Those who have carried stocks down from higher levels, or have commenced to buy stocks too soon, become discouraged, and follow the impulse to part with them.

This is the time when the common expression, "stocks are passing from weak into strong hands," is literally true. Furthermore, if the so-called "strong hands" have been unable to accumulate all the stock they would like to acquire at relatively low levels, and there is a reasonable possibility that considerable additional desirable stock can be dislodged, it is not unusual to observe the temporary withdrawal of buying orders, so as to give the market the appearance of new weakness. This procedure is the frequent cause of a final break, or "shake-out," during which many thinly-margined ac-

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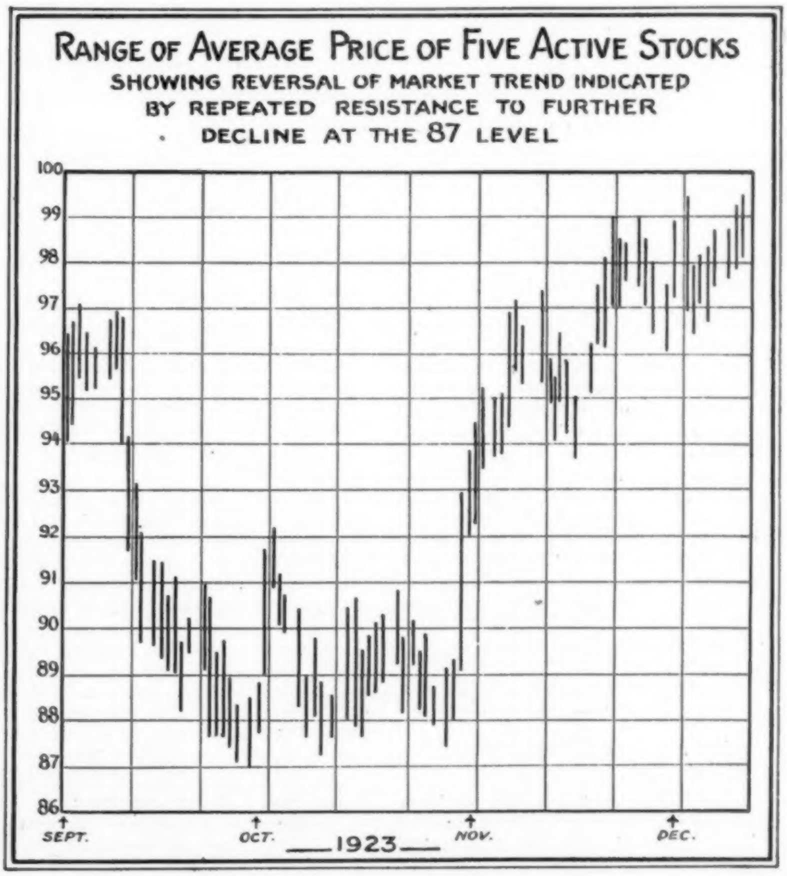


Bonds

The Elimination of Investment Risks in Real Estate Bonds

By J. SYDNEY GREEN

IN an age of specialization such as today, it is not surprising that the standardization that has been developed in practically all lines of commercial activity, should extend itself to the field of Investments.

Before Insurance was developed to its present high point of service, the ordinary risks of everyday life, either business or personal, were left to the individual to assume. Each one of us is surrounded by certain unavoidable risks, which in former days, because of the lack of Insurance, we were forced to carry personally. There was the risk of losing one's life or health by sickness or accident—of losing property by fire or destruction of the elements; and then again, there were the ordinary risks assumed in any business, classified under the head of Credit Losses, Liability Risks, Property Damage Risks, and many more.

The specialization of Insurance practices has made it possible for the individual or firm to shift the burden of these risks to concerns whose special function it is to assume them. Thus the many Insurance Companies performing their manifold services are rendering a service without which it would be difficult to operate. To such an extent have the many forms of simple Insurance become accepted facts, that no intelligent individual would even consider cancelling his various Insurance Policies and going back to the old basis of personally assuming these many risks.

In view of this rapid and astounding development in the field of Insurance, it is not surprising to note that in the past years the same practices that have eliminated the risk for the individual in his various other activities, have been applied to Investment Bonds. This is one of the most interesting developments of Insurance practice in many years.

Underlying Principles of Bond Insurance

There are three fundamental premises supporting Bond Insurance:

The First Premise is that the bonds of any one class and kind, are affected as a class by the same fundamental conditions, and present a certain Factor of Safety and a certain Factor of Risk. This Factor of Risk is equivalent to the mortality rate, or loss rate, in any other type of insurance.

The Second Premise is that the conditions which affect and establish this Factor of Safety and Factor of Risk, are *controllable*, and that if they are controlled in the same way in many different issues of bonds, all of the issues of that class so controlled will present the same Factor of Safety and the same Factor of Risk.

The Third Premise is, that if these fundamental Factors are so controlled, and by so doing the Factor of Risk is established so that it is the same over a large number of bonds, it is then possible to Insure that known Factor of Risk against loss, in the same manner that the known Factors of Risk have been Insured in practically every other avenue of business endeavor.

CAN BONDS BE INSURED?

When will the time arrive when bonds will carry an insurance feature that eliminates the risk now generally assumed by the individual investor? Read this article and see.

In further explanation of the First Premise, it has long been known that the element of risk in certain bonds as a class, is greater than in certain other bonds as a class. For example, Municipal Bonds as a class have present in their make-up a greater element of risk than Government Bonds. In like manner, Public Utility Bonds are a greater investment risk than Municipal Bonds, and so on down through the whole list of investments. All bonds may be classified according to their Standard of Risk.

In like manner, First Mortgage Real Estate Bonds in their present form and taken as a class, present a certain definite risk. This degree of Risk may be expressed in percentages. Thus, one bond may be a 4% risk, that is, there are four chances out of a hundred that it will fail to ninety-six out of a hundred that it will succeed. Another type of bonds may be classified as a ½% risk, and still another class as a 1% risk. This has all been definitely determined by a careful study of the history of Investments for a period of approximately a hundred years. In this fashion it has been determined that First Mortgage Real Estate Bonds of a certain standard type and character, and governed by the same controlling factors in each case, constitute a risk of from 0.8 to 1%. This does not mean that *all* Real Estate First Mortgage Bonds are 99% safe. There are many Real Estate First Mortgage Bonds which constitute a much higher risk than 1%.

Before a Risk can be Insured, it is necessary to establish an Insurable Standard of Safety. In order to establish an Insurable Standard of Safety in Bonds, it is necessary to control the factors that make the bond either Safe or Unsafe.

What are these factors? They may be classified under seven headings. (See table.) Any First Mortgage Real Estate Bond is either Safe or Unsafe in the exact degree to which these factors are controlled and standardized.

Standardization Depends Upon Control

Going back to our second original premise, namely that there are certain definite factors that control the Safety and Risk of any bond, it becomes apparent that these factors play in varying degrees on any First Mortgage Real Estate Bond, and in the degree to which each one of these factors is *controlled, supervised* and made *right*, just to that degree is the bond either *safe* or *unsafe*.

If it were possible to control these seven factors to a one-hundred per cent point of perfection, the Risk in connection with the bond would be eliminated entirely. This of course is not possible when we are forced to deal with human agencies and are subject to human errors. However, it is possible to establish a Standard of Control with relation to these

(Please turn to page 312)

The Seven Controllable Factors of Safety in Real Estate Bonds—

1. *TYPE OF PROPERTY*

The first is the Type of Property pledged to secure the bond. There are certain types of property that are universally acknowledged to be standard and represent fixed values in the field of Real Estate. Generally speaking, office buildings, hotels, apartment houses and commercial units may be classified as such types of property because they represent in the aggregate a stable value. As a contrast to this type of real estate, there are factory buildings, unimproved properties, farm properties, and various other types devoted to single specific purposes with no diversification of income. These latter types of property do not lend themselves readily to loan purposes because of their lack of stability and because of their devotion to a single use.

2. *LOCATION*

Location is equally important. A good property poorly located is a poorer investment than a poor property well located. By this we mean that Type and Location go hand in hand—it would be folly to build a 1,000-room hotel in the suburbs of a big city. Such a structure should be centrally located in the metropolitan area. It would likewise be folly to build a strictly residential apartment house in the metropolitan business section. Either one in its right location would be a success; likewise in the wrong location, each one would be a failure.

It is perfectly apparent that it is possible to *control* the factors of Type and Location, as they affect the bond.

3. *PROPERTY VALUE*

The third fundamental factor affecting the Standard of Safety of a bond is the Value of the property securing it, or said in another way, the Equities junior to the bond. It is generally admitted to be unsafe to loan over sixty-five per cent of the value of a property of this type, although many bond issues are in existence that represent a greater percentage of loan than this. There is a definite percentage or margin of loan beyond which it is unsafe to go in the aggregate. Obviously, this is also a factor which it is possible to *control.*

4. *INCOME FROM PROPERTY*

The fourth factor that affects the Standard of Safety of the bond is the Income derived from the property pledged to secure it. The bond would be very unsafe even though the property securing it were the right type in the right location and of sufficient value, if the Income from the property was not sufficient to pay off the borrowed money together with the interest thereon when due, for the purchaser of the bond is necessarily more interested in the repayment of his money when due than in anything else.

Properties of this type can be so created and so constructed that if the right type of property is built in the right location, its income can be definitely determined in advance. This is simply a case of calculating the net footage of income-producing space at a price that it is known it will produce, and in that manner judge whether or not the income will be sufficient to amply provide for the bonded indebtedness together with the interest thereon. It is possible to control the factor of Income from a property of this type and to calculate it in advance in the same way that an automobile engineer calculates the horse-power of an automobile from the designer's blue prints before it is built.

So we see that it is likewise possible to *control* and govern the Income that is to be produced from the building to be constructed with the borrowed money.

5. *SERIAL AMORTIZATION*

Coming now to the mechanics of the bond itself, it has been found that the method of repayment provided is a vital factor and very materially affects the Safety and Risk of a bond. To conform with standard practices which have been proven over many years of bond experience, a certain fixed percentage of the borrowed money should be paid off each year rather than leaving the entire payment until the last date of maturity.

A bond that is paid off in this manner is known as a Serial Bond, and with hardly an exception a Serial Bond presents a greater degree of Safety and a lesser degree of Risk than a straight-term bond, because the bonded indebtedness is decreasing annually, and in the case of the type of properties aforementioned, the value of the property is increasing, thus very materially expanding the margin of difference between the property value and the bonded indebtedness, which in turn annually increases the Factor of Safety. Whether or not a bond is a Serial bond, is entirely in the hands of its creators.

This, too, is a *controllable* Factor.

6. *SINKING FUND*

Having established through the serial amortization a definite percentage of annual repayment of the borrowed money, it has become the accepted and safe practice to provide for a Sinking Fund into which the borrower is required to make periodical payments so that when the interest period arrives, or the time for repayment of principal, the money is in the Fund ready to pay with. Ordinarily, a good First Mortgage Real Estate Bond is protected both as to serial amortization and by a Sinking Fund as well. The effectiveness of this Sinking Fund depends upon the provisions which are written into the Trust Deed which governs it.

The best practice requires the borrower to pay into this Fund monthly one-twelfth of the total annual fixed charges in connection with the property, and the bond. These fixed charges include not alone interest and principal of the bond issue, but taxes, insurance and all fixed charges as well. By so doing, the risk of default is still further removed, inasmuch as it is not left to an eleventh-hour scramble to raise sufficient funds with which to meet a payment, but it is in reality the budgeting of the fixed costs, so that when the time of payment arrives the money is ready with which to pay.

Obviously, the terms and conditions governing the Sinking Fund are entirely *controllable,* inasmuch as they are written into the Trust Deed by the Underwriters or the Creators of the Bond.

7. *PROPERTY INSURANCE*

There is only one other principal element of risk remaining, and that is the risk of loss by fire or destruction by the elements. This is in reality no problem at all, in the present high state of development of ordinary property insurance.

The buildings and property securing a good bond should necessarily be fully insured to protect the bondholder against any loss by fire or destruction by the elements.

This again is a factor that is very easily *controllable.*

BOND BUYERS' GUIDE

(Bonds listed in order of preference)

HIGH GRADE
(For Income Only)

Non-Callable Bonds:

Bond		Apx. Price	Apx. Yield	¶Int. earned on entire funded debt
Great Northern Genl. 7s, 1936	(c)	108¼	6.00	2.85
Atlantic & Danville 1st 4s, 1948	(a)	77	5.75	....
Western Union Telegraph Co. 6½s, 1936	(a)	110½	5.55	c 6.85
New York Edison Co. 6½s, 1941	(b)	111¼	5.45	3.30
Canadian Northern Debenture 6½s, 1946	(a)	112½	5.50	*
Delaware & Hudson 7s, 1930	(b)	108½	5.50	2.10
Bush Terminal Buildings 5s, 1960	(a)	93	5.40	1.85

Callable Bonds:

Bond		Apx. Price	Apx. Yield	¶Int. earned on entire funded debt
Armour & Co. Real Estate 4½s, 1939	(a)	86	5.90	....
Duquesne Light Co. 6s, 1949	(b)	105	5.65	3.40
Philadelphia Company 6s, 1944	(c)	101½	5.80	3.50
Canadian General Electric deb. 6s, 1942	(a)	104½	5.60	g 2.80

Short-Term Bonds:

Bond		Apx. Price	Apx. Yield	¶Int. earned on entire funded debt
Rock Island-Frisco Terminal 5s, 1927	(a)	99½	5.00	....
Columbia Gas & Electric Co. 1st 5s, 1927	(b)	99½	5.00	7.60
Toledo, St. Louis & Western prior lien 3½s, 1925	(a)	98¾	5.50	1.90
B. & O., Southwest Div. 1st mtg. 3½s, 1925	(b)	98½	5.50	1.40
Seaboard & Roanoke 1st 5s, 1926	(a)	98½	5.60	....
St. Louis-San Francisco Series "C" 6s, 1928	(c)	101	5.70	1.50
Dominion of Canada Internal 5½s, 1927	(d)	100¼	5.30	....
Aluminum Company of America 7s, 1925	(a)	102¾	5.50	....
Bell Telephone Company of Canada	(b)	97	5.85	2.75

MIDDLE GRADE
(For Income and Profit)

Railroads:

Bond		Apx. Price	Apx. Yield	¶Int. earned on entire funded debt
Cuba R. R. 1st 5s, 1952	(a)	83	6.30	2.45
St. L. & S. F. Prior Lien 4s, 1950	(c)	70	6.35	1.25
Western Pacific 1st 5s, 1946	(c)	87	6.10	2.40
New York, Ontario & Western 4s, 1992	(a)	62½	6.40	2.00
Erie & Jersey 1st 6s, 1955	(a)	97½	6.25	1.50
Missouri, Kansas & Texas Prior Lien 5s, 1962	(c)	85½	6.00	1.10
Kansas City Southern Rfd. and Imp. 5s, 1950	(a)	89	5.80	1.90
Minneapolis, St. Paul & Sault Ste. Marie 6½s, 1931	(a)	103	6.00	1.50
Carolina, Clinchfield & Ohio 1st 5s, 1938	(c)	95½	5.50	1.45
Chesapeake & Ohio conv. 5s, 1946	(b)	95	5.35	1.65

Industrials:

Bond		Apx. Price	Apx. Yield	¶Int. earned on entire funded debt
South Porto Rico 1st Mtg. and Col. 7s, 1941	(b)	101½	6.85	2.20
Wilson & Co. 1st 6s, 1941	(a)	80¼	8.10	1.35
Sinclair Pipe Line 6s, 1942	(b)	84	6.50	g 2.50
Goodyear Tire & Rubber Co. 8s, 1941	(c)	115½	6.50	4.00
California Petroleum Corp. 6½s, 1933	(c)	97	6.90	4.80
International Paper Co. 5s, 1947	(a)	84½	6.30	3.50
U. S. Rubber 5s, 1947	(c)	80	6.70	2.05
Bethlehem Steel Co. 5s, 1936	(a)	89¾	6.20	f 2.30
Computing Tabulating & Recording 6s, 1941	(b)	100	6.00	5.50
Armour & Co. of Del. 1st 5½s, 1943	(c)	86½	6.75	....
Anaconda Copper Mining Co. 1st 6s, 1953	(b)	96	6.25	g 1.2[illegible]
Union Bag & Paper Co. 6s, 1942	(b)	93½	6.65	f 4.40

Public Utilities:

Bond		Apx. Price	Apx. Yield	¶Int. earned on entire funded debt
Manhattan Railway Cons. 4s, 1990	(a)	58½	6.90	g 0.90
Amer. Water Works & Elect. Corp. Col. 5s, 1934	(c)	89¼	6.50	2.40
United Fuel Gas 6s, 1936	(b)	96½	6.40	e 2.70
Virginia Railway & Power 5s, 1934	(a)	91	6.20	2.00
American Gas & Electric 6s, 2014	(c)	94½	6.30	2.60
Hudson & Manhattan Refunding 5s, 1957	(c)	84	6.15	2.00
Kansas Gas & Electric 6s, 1952	(b)	95½	6.30	1.80
Havana Elec. Ry. Light & Power 5s, 1954	(a)	83	6.25	5.00
Montreal Tramways 5s, 1941	(c)	89½	6.10	g 1.25
Denver Gas & Elec. 1st and Rfd. 5s, 1951	(c)	87	5.95	c 4.70
Commonwealth Power Corp. 6s, 1947	(c)	92	6.70	4.50
Dominion Power & Transmission 1st 5s, 1932	(a)	91	6.40	2.10

SPECULATIVE
(For Income and Profit)

Railroads:

Bond		Apx. Price	Apx. Yield	¶Int. earned on entire funded debt
Erie Genl. Lien 4s, 1996	(b)	56½	7.10	1.31
St. Louis & San Francisco Adj. Mtg. 6s, 1955	(c)	75	8.25	1.25
Seaboard Air Line 4s, 1950	(a)	68	6.60	1.20
Missouri, Kansas & Texas Adj. Mtg. 5s, 1967	(c)	57½	8.90	1.10
Chicago Great Western 1st 4s, 1959	(a)	52	8.10	0.85
Western Maryland 1st Mtg. 4s, 1952	(a)	62	7.10	1.20
Rock Island, Ark. & Louisiana 1st 4½s, 1934	(c)	79	7.40	....

Industrials:

Bond		Apx. Price	Apx. Yield	¶Int. earned on entire funded debt
Cuba Cane Sugar 7s, 1930	(c)	93	8.50	2.15
Empire Gas & Fuel 7½s, Series "A" 1937	(c)	89	8.95	3.20
International Mercantile Marine 6s, 1941	(b)	84	7.70	2.50

Public Utilities:

Bond		Apx. Price	Apx. Yield	¶Int. earned on entire funded debt
Brooklyn-Manhattan Transit 6s, 1968	(c)	76	8.00	f 1.50
Chicago Railways 1st 5s, 1927	(a)	75¼	15.00	1.08
Hudson & Manhattan Adj. Income 5s, 1957	(b)	65	8.00	2.00
Interboro Rapid Transit 5s, 1966	(a)	61	8.30	0.90
Third Avenue Railway Rfd. 4s, 1960	(b)	54½	7.80	i 1.35

* Principal and interest guaranteed by Dominion of Canada. † Callable in 1951. ‡ Callable in 1936. ¶ This represents the number of times interest on the companies' entire outstanding funded debt was earned, based on earnings during the last five years. Includes government payments during period of government operations of railroads.

(a) Lowest denom., $1,000. (aa) 1922. (b) Lowest denom., $500. (c) Lowest denom., $100. (d) Lowest denom., $50. e Average last three years. f Average last two years. g Average last four years. i Does not include interest on adjustment bonds.

BONDS

Market Continues Advance—Utilities Active

AMONG the bonds listed in the Bond Buyers' Guide, the Armour & Company real estate 4½s of 1939, recovered the ground previously lost. In our last issue, we pointed out that these bonds were selling out of line with their investment standing, as well as the general market for bonds entitled to similar investment consideration.

Among the rails in the middle-grade division, the Western Pacific 5s continued their advance. Selling at 87, they were up almost eight points from the year's low point. Among the industrials, Anaconda Copper Mining Company first consolidated 6s displayed a firmer tone.

It was in the public utility section that the greatest activity and strength was seen. These bonds during the greater part of the year had done practically nothing and trading therein had been of a somewhat listless character, but investors suddenly realized that this division of the list had been overlooked and the good earning records of the companies were well worthy of consideration. The result was a sudden demand for public utility securities, both bonds and stocks. American Water Works & Electric Corporation 5s sold up to 90 and held well around the high. United Fuel Gas 6s and Hudson & Manhattan refunding 5s each gained a point, while the adjustment 5s advanced three points, reflecting the good earning record being shown by the company. Commonwealth Power Corporation 6s, Virginia Railway & Power 5s and Denver Gas & Electric 5s also joined in the upward movement. Among the N. Y. City tractions, Manhattan Railway consolidated 4s were up 1½ points. The Third Avenue refunding 4s gained 2½ and Interborough Rapid Transit 5s advanced 2 points. Brooklyn-Manhattan 6s were steady at ruling levels.

Speculative Rails

The April earning statement of the Chicago, Milwaukee & St. Paul, together with reports of continued decline in loadings, had an adverse effect on that road's securities. As the road is not showing results which had been hoped for owing to previous improvement in earnings, holders of the convertible 5s of 2014 are advised to switch into the Missouri, Kansas & Texas adjustment 5s, which are selling around the same level. The M. K. & T. continues to show good earnings since reorganization, these earnings covering interest charges with a good margin. There does not seem to be any good reason why the investor should continue to hold St. Paul 5s when he can switch on practically an equal basis into another 5% bond of a road which is showing good earnings and promises to continue to show them.

Among the speculative rails, the St. Louis & San Francisco adjustment mortgage 6s and Rock Island, Arkansas & Louisiana 4½s were a feature, with advances of two points.

Letters from a Hard-Boiled Financier to His Nephew

Safety First as a Market Doctrine

(9. *In which Uncle Henry comments upon Wall Street psychology and the lessons one may learn therefrom.*)

Los Angeles, California,
April 16, 1924.

Dear nephew:

I see by the public prints that the Street is suffering from the heebie-jeebies. You can depend upon Wall Street to never do anything by halves. There is no one so bearish as a sold-out bull. Sometimes, I think that if one stood at the corner of Wall and Broad Streets and shouted "Boo" loudly enough, he could bring the Stock Exchange tumbling down like the walls of Jericho. The peculiar aspect to the matter, however, is that what starts out in the Street as purely a psychological matter becomes an actuality if it continues long enough. In other words, the very fear of a business recession may bring about just such a recession. I am reminded of the adepts of Yogism. It is said that, through concentration of thought, they can suspend the normal functions of the body, such as breathing, beating of the heart, etc.

The trained market observer wastes little time in mulling over causes when the market begins to crumble. It is enough for him that the market *is* going down not that it *ought not* go down. He sells first and does his analyzing afterwards. The family of the defunct "hard rock" man gets little consolation from the fact that the dynamite exploded prematurely and that by all the laws of physics and applied sciences it shouldn't have gone off at all.

If you follow the market doctrine of "safety first" you will have plenty of time afterwards to study the underlying causes and observe the effects. Your mind will be free and your judgment unfettered which would not be the case if you were carrying down a large load of securities. You will be able to decide when effects overrun causes and thus be in a position to take advantage of the rebound which is certain to ensue.

Your affectionate uncle,

HENRY.

". . . I see by the public prints that the Street is suffering from the heebie-jeebies. If you follow the market doctrine of "safety first" you will have plenty of time afterward to study the underlying causes and observe the effects. Your mind will be free and your judgment unfettered, which would not be the case if you were carrying down a large load of securities."

(10. *In which Uncle Henry discusses practical idealism and the relative advantages of patrician lineage and a large bank balance.*)

Pasadena, California,
April 20, 1924.

Dear Tyler:

Replying to your letter in which you ask me to lay down rules of conduct which a young man like you, just starting out in the financial game, might well follow. In my opinion, most of the so-called "Keys to Success" unlock no doors which are worth opening. Beyond the all-embracing provisions of the Golden Rule, as a practical matter, it is impossible to chart one's course in life for the reason that every day brings new situations and problems which can only be solved by the individual they affect. Everyone, of course, will tell you to follow only the highest of ideals, but I wish to warn you against being an impractical idealist. It is almost as bad to be pigeon-breasted as hump-backed. Don't lean so far backward that you can see your heels, for you cannot grow upwards in that position. Sometimes it is necessary to concede a little to accomplish much. If the compass of your conscience is trued correctly, you will know when concession ceases to be a virtue and becomes a vice. If your conscience is not set correctly, neither I nor any other man can help you.

The late President Roosevelt was, perhaps, our best example of a practical idealist. The late President Wilson carried his idealism to an extent that defeated the project which he hoped would be the culminating work of his life. Of him it was said that he dwelt on intellectual heights where the air was too rarefied for the lungs of the average individual. It is not a bad idea to climb a mountain once in a while, but the place to live is in the valley.

Don't be worried too greatly about being consistent. You remember the remark of a politician who said: "I would rather be right than be the President of the United States," and the retort of his opponent: "You'll never be either." Be right before being consistent and hope that you can be both. Here endeth the first lesson. Your aunt is well and sends her love. She says that if you will take a tablespoonful of sulphur and molasses it will be very good for your blood at this season of the year. She hopes you will follow cousin Hepzibah's suggestion and join the Sons of the Revolution because the country is becoming so Bolshevistic that she thinks the first families should keep together and maintain their traditions. My suggestion is to keep your feet dry and maintain a large cash balance in the bank.

Your affectionate uncle,

HENRY B. HOBBS.

(11. *In which Uncle Henry spends some loose change on telegraphing.*)

Pasadena, California,
April 26, 1924.

Tyler B. Hobbs,
27 West 44th Street,
New York City.

Received prospectus of Gold Bluff Mining Co. which you sent. See Sam Weeks and if he says O.K. believe you would be justified in making small investment, stop. Proposition looks like mostly bluff to me, but every man has to buy mining stock once in his life and you may as well get inoculated. If it gets by Sam you will at least have chance to get your money back. Personally believe in sticking to my own game and not trying to play the other fellow's.

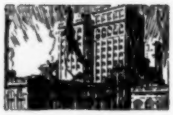
H. B. HOBBS.

If you are not reading Uncle Henry's letters, you are missing something really worth while. Uncle Henry's letters contain little gems of thought that can be applied with very real advantage to your own investment problems.

Money, Credit and Business

Business Upturn Expected Autumn

Further Curtailment of Production — Prices Lower — Money Rates Favorable — Immediate Prospects



BASIC business conditions in the United States show no deviation from those of the past two months, the trend toward a lower level of general activity being maintained throughout the period with scarcely any exceptions. Production of basic materials showed a decline at the end of April of about 15% from those of a year ago when the peak of industrial activity during the past few years was reached.

Declines in output were particularly large in the iron, steel, coal, woolen, railroad equipment and automobile industries. Factory employment has declined about 3% in the past three months, or since the middle of March when the business decline commenced. This brings the total number on factory pay rolls down to the lowest figures since the autumn of 1922.

Decreases in employment were in large part in the textile, clothing, metal and leather industries. Notwithstanding the curtailment of mill operations, there is no large amount of unemployment as the surplus labor is being absorbed by out-of-door activities such as building, road-making, farming, etc.

The general wage level shows some recession but is not marked except in the textile industries. There are few labor disturbances, a good spirit of compromise being shown between employers and workers where wage adjustments have become imperative.

Wholesale prices which declined in April declined again in May reaching the lowest figures since May, 1922. These are indicated in the graph herewith. The general tendency continues downward but there is greater resistance than in the past few months. Among important commodities which seem to have reached stabilized price levels are: wheat, iron, copper, cotton goods, crude rubber, gasoline, and most building materials. Altogether, the price situation is more favorable and declines from this time on are likely to be less numerous than advances, though the upward movement will probably not broaden out until the autumn months are well on the way.

For the first four months of the year, there was an excess of exports of 176 millions against 86 millions during the same period of last year. The increase was principally due to a 16% advance in the quantity of shipped cotton whereas the price level advanced 42%. Aside from this item, there was practically no gain in the trade balance. During April, exports showed a tendency to increase over imports, but the average monthly trade balance in our favor is too small to be considered significant.

For the first four months of the year, the excess of gold imports amounted to 157 millions against 45 millions in the same period last year, the increase being pricipally accounted for by British shipments in part payment of the accumulated war debt to this country.

Foreign exchange conditions are mixed, the trend, on the whole, being downward. Francs are quoted at about 5.00 cents against a high this year of 6.60 cents and the pound sterling is quoted at $4.32, whereas earlier this year it reached close to $4.40. Opinion on the future of sterling varies but the uncertainties presented by Labor Government activities, particularly in regard to the stupendous program for housing, indicate that taxation in that country will remain high and that the present degree of inflation will persist. In addition, the effect of heavy foreign financing which has taken place in London during the past year is beginning to have its effect. The general result is the relative weakness of sterling with an outlook for even lower prices.

The reduction in demand for credit flowing from the lowered business activities is accompanied by the lowest rates in the money market, witnessed since the early part of 1922. The call money market lately has been stabilized at around 3% and abundant time funds may be secured for varying maturities at 3¾-4%. The Federal Reserve statement indicates a condition of great liquidity in the portfolios of the reserve banks. Earnings assets show a nearly 50% shrinkage since a year ago. The Reserve ratio is maintained at above 80%.

The influence of these conditions on fixed income-bearing securities has been favorable, particularly Government war loans which have reached the highest figures for several years. Other gilt-edge securities have advanced moderately in response to the large investment demand arising from the abundance of surplus funds.

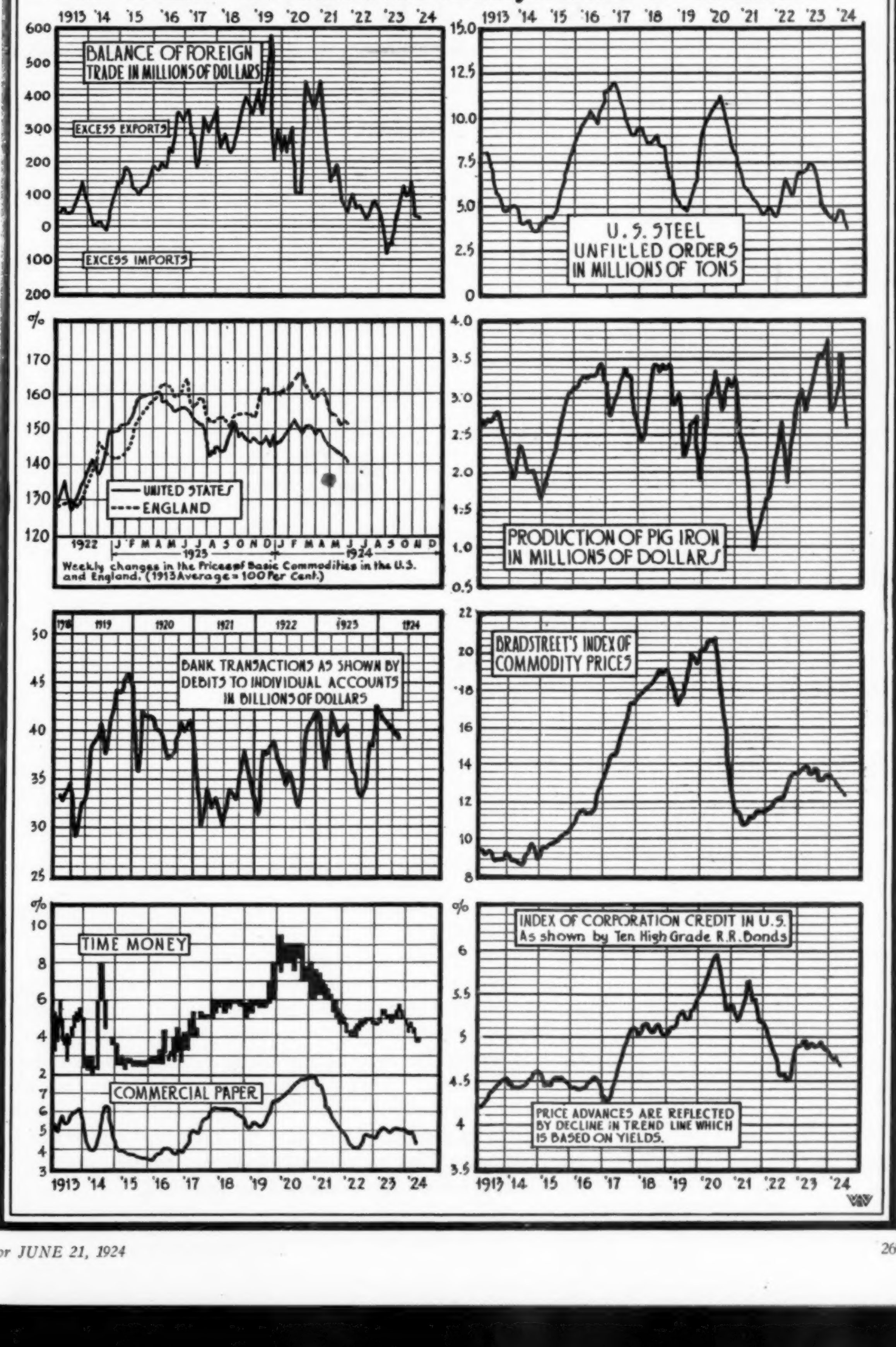
The business recession, of course, has cut into industrial earnings, in some cases rather deeply. Competition is keen and the margin of profit is generally affected. Securities of a speculative type have reflected this change in conditions.

Political conditions govern the outlook and no clear idea of the business future can be gained until the conventions are out of the way. Pessimism, so current during the Spring months, has lessened and there is a well-defined basis for optimism provided the trend of political developments is not unfavorable. Among the big developments affecting securities will be a number of important railway consolidations.

Business commitments are still held in abeyance pending further political happenings. In the meantime, reserve stocks are gradually being curtailed as production gets down to below consumption figures. Inventories, generally, are not large and this is one of the most favorable elements in the entire situation.

INDUSTRIAL earnings in particular, for the first quarter of the year and estimates of earnings during the second quarter indicate that the net results will be considerably below those of the corresponding period last year but above those reported in 1922. During the past several weeks, business has approached a situation where more basis exists for a hopeful attitude than warranted in the earlier part of the year. Conditions, however, are still dull and will probably continue so during the balance of summer, but an upturn may be expected in autumn.

THE TREND OF MANUFACTURE, TRADE & COMMERCE



Industrials

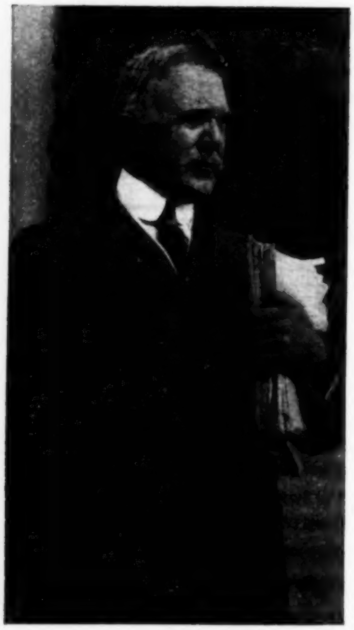
South Porto Rico
Punta Alegre

Cuba Cane Sugar

Amer. Beet Sugar
Cuban American

Sugar—Another Prince and Pauper Industry

The Future of Sugar as Seen by C. A. Spreckels, President of the Federal Sugar Refining Company



C. A. SPRECKELS
President Federal Sugar Refining Co.

THERE is a strong suggestion of diminishing profits and reactionary security prices in latest sugar developments. The outlook has just been seriously dimmed by another sharp break in raw and refined sugar prices to the lowest levels in several years and by figures indicating that the current Cuban production is the greatest in history. Stocks of sugar in Cuba have also increased 50% over a year ago. As a result the sugar business is once more steeped in uncertainty after eighteen months of prosperity. The ups and downs of this mercurial industry are illustrated by the accompanying tabulation and graphs dating back to the inflated boom period of 1919-20.

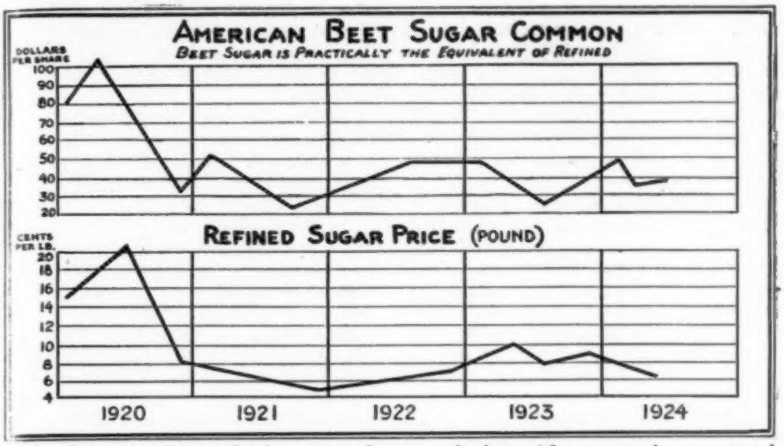
Original forecasts placed the 1923-24 Cuban crop at 3,750,000 tons. Production up to May 15th totaled 3,891,856 tons and output during the balance of May, winding up the Cuban season, is estimated to have brought the figure up to about 4,075,000 tons. Previous high record was 3,936,040 tons in 1920-21. At the same time surplus stocks of sugar in Cuba will have increased to approximately 1.3 million tons. The break in sugar prices which followed publication of these figures carried Cuban raw down to 3 cents a pound and refined to 6.40 cents, both low records since January, 1923.

The sugar production situation is further complicated by reports foreshadowing greatly increased sugar-beet sowing this summer in Europe and the United States, and a tremendous crop next fall. Moreover, to offset the gain in sugar output there is no compensating increase in consumption indicated. On the contrary, the United States—the world's greatest sugar consumer and Cuba's best customer—has shown a slight decrease in consumption during the past year. This country's consumption in 1923, for example, totaled 4,780,684 tons compared with 5,092,758 tons in 1922. Of these totals Cuba supplied 2,648,223 tons in 1923 against 2,890,571 tons in 1922, the balance of United States consumption being taken care of by American beet production. While the 1923 decrease in consumption was attributed largely to a backward summer, retarding consumption of soft drinks and sweetened beverages, the same situation has existed this year to date. In other words, the sugar industry now seems confronted with the same problem of temporary overproduction or overcapacity that is so prevalent in most other leading industries and which is one of the main causes of the present business and market stagnation.

As only 50% of the current Cuban sugar crop is reported to have been sold before the price dropped below 4½c., the Cuban producers will probably show small if any profits for the present fiscal year comparing with the excellent record of last year. The same is true even to a greater extent of beet sugar producers like American Beet, whose fiscal year ended March 31st with a substantial increase in profits over the previous year. The full effects of present low sugar prices will therefore be apparent in forthcoming annual reports of the Cuban producers whose fiscal years in most cases end September 30th.

In visualizing the effect of a continuance of 3c. Cuban raw sugar price, it is well to recall that in 1921 and 1922 when Cuban prices averaged 3½c. and 3c., respectively, most of the Cuban producers showed big deficits. While in scattered instances it is reported that they can show minor profits on 3c. sugar, indications are that the present price of Cuban raw is

C. A. SPRECKELS, President of the Federal Sugar Refining Co. (of N. Y.) is a world authority on sugar. He is one of those comparatively rare men who do not feel it necessary to maintain a constant air of optimism on the industries with which they are associated. His forecasts on sugar in the past have proven phenomenally correct. Consequently the forecast, published herewith, commands unusual interest. This article, in part, is based on statements on the general outlook of the industry given by Mr. Spreckels in a recent interview with several editors of this publication. The individual analyses which accompany this article have been compiled by the staff.



nearly down to the production cost of many producers, especially with this year's high cost of cane and labor in Cuba.

In other words, unless there is a decided improvement in the price situation, which does not appear probable under present general business conditions, the outlook is for a period of restricted earnings. Against this condition, however, most sugar companies are fortified with strong treasury positions and little or no money owing to the banks, so that they are not confronted with the necessity of dumping their sugar stocks as was the case after the 1919-20 inflation. Consequently, there is no danger of a repetition of the demoralization of 1921-22 when big deficits were piled up.

The trend of sugar securities usually tends to parallel sugar prices as will be noted by reference to the graphs on Cuba Cane and American Beet, two typical examples of Cuban and American sugar producers and market bellwethers of their respective divisions.

Ordinarily the time to accumulate securities is under conditions now existing in the sugar industry, but in this case the downward movement in sugar prices presages a period of low earnings and possible dividend reductions. None of the sugar securities should be bought at this time.

CUBA CANE SUGAR

Market interest in Cuba Cane—world's largest producer of raw sugar—is confined almost exclusively to the preferred shares. This is due, first, to the fact that back dividends on this issue now total $21 a share, and, second, to expectations that dividend payments may be resumed this year.

These expectations are based largely on the excellent 1923 showing of $13.67 a share earned on the preferred and to reports that the company had sold 60% of its 1924 output before the recent slump in sugar prices. Indications also are that in the current fiscal year, ending September 30th, Cuba Cane will produce about 520,000 tons of sugar, or 50,000 tons more than in 1923.

Even figuring that the company has sold 60% of its current output at an average of about 4.9c. a pound as reported (1923 average 4¾c.) and aided by a larger production, prospects are that the forthcoming September 30th annual report will not approximate the 1923 total of $13.67 per share.

In other words, current low sugar prices will probably somewhat affect Cuba Cane's showing for the fiscal year ending September 30th, next. If there is no improvement in price before the end of 1924, it is doubtful if the company will resume dividends on the preferred this year, bearing in mind the big deficits of 1921 and 1922 when the price of Cuban raw sugar was not so very much lower than today. As the management naturally has profited by the experience gained in the 1921-22 depression the tendency will probably be to improve the company's financial position by conserving assets rather than distributing dividends, at least during a period of uncertainty.

Cuba Cane's financial position is again on a sound basis, much stronger than a year ago. At the end of the 1922 fiscal year, the company had a profit and loss surplus of only 3.7 millions, representing a decline from 23.4 millions in 1920. At the end of the 1923 fiscal year, however, the total had been brought up to 10.2 millions and by September next is expected to show another big increase. Bank debt has been cleared up and interest charges during the "off season" should be considerably less than a year ago. Physically, Cuba Cane is in excellent position and its management is a leader among sugar companies.

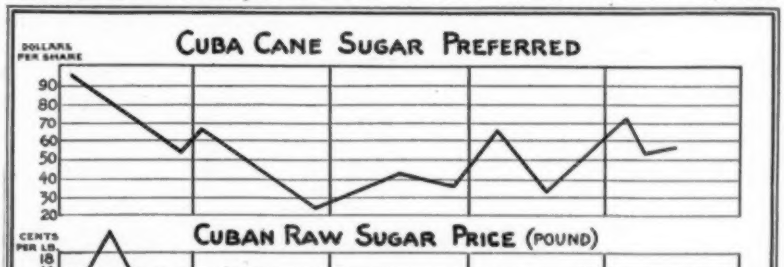
The future market course of Cuba Cane Preferred hinges mainly on the prospects of dividend action and trend of sugar prices. Resumption of dividends would probably cause a sharp flurry in the shares but this at the moment seems rather problematical. The common is not in an attractive position, but the 8% convertible debenture bonds and Eastern Cuba Sugar 7½% have been raised substantially in merit by the earnings of the past and current year.

AMERICAN BEET SUGAR

In the main, the experience of American Beet Sugar has been about the same as the Cuban producers: tremendous earnings in the 1919-20 inflation, deficits in the next two years and then a substantial recovery. American Beet, however, is probably more at the mercy of sugar-price fluctuations than the Cuban companies on account of its small output. Properties are located in California, Colorado and Nebraska.

As the company's fiscal year ends March 31st, its annual report is to a certain exent a forecast of the prospective showings of the Cuban producers whose fiscal years in the majority of cases end on September 30th. It is therefore interesting to note that American Beet Sugar has just reported a net income of $1,515,972 for the fiscal year ended March 31st last, which compares with $888,699 in the preceding year. After preferred dividends the net per common share compares $8.10 to $3.92 but, making proper allowance for trade conditions and other factors in the intervening six months, the forthcoming annual reports of Cuban producers will probably not compare favorably with the preceding year.

During the last fiscal year, American Beet effected a substantial increase in its net quick assets, which as of March 31st amounted to 5 millions, a gain of a million dollars or 21% as compared with the previous year, and an increase of 1.7 millions as contrasted with the low point at the end of the 1922 deflation. That the company could finance a considerably larger crop is indicated by the cash balance of 3 million on March 31, which



was 50% greater than at the close of the preceding year. Plans for the present year, however, call for a crop of about the same proportions as last year.

Dividends on the common stock, which were discontinued in April, 1921, were resumed again in March of this year at the rate of $4.00 per annum. This rate was earned twice over in the past fiscal year. The $3.92 a share shown for the common in the fiscal year ended March 31st, 1923, was earned while the price of refined sugar averaged approximately the same as current quotations, so that unless sugar slumps still more, American Beet with the aid of its cash balance would probably be able to maintain its current dividend rate through a short depression, though not a long one.

Market for the common shares is usually narrow and appeal limited, which of course does not improve the possibilities for price enhancement under present depressed conditions. The 6% preferred stock, selling at 74 to yield 8.1%, though non-cumulative, has an unbroken dividend record of almost 25 years and is attractive.

PUNTA ALEGRE SUGAR

In the vigor and scope of its recovery from the 1921-22 depression, the performance of Punta Alegre compares favorably with other large producing companies. From a deficit of 2 millions in 1921 and a profit of only $135,729 in 1922, the company's net jumped to 3.6 millions in the 1923 fiscal year ended May 31. This big gain was accompanied by only a slight increase in output and is therefore directly attributable to the flareback of the mercurial sugar industry.

The 1923 net was equal to $10.50 a share on the common stock and enabled Punta Alegre to resume dividends on this issue on November 15th last with a payment of $1.25 a share, placing the stock on a regular annual dividend basis of $5. The effect of the 1923 recovery shows up perhaps most strongly in the company's balance sheet. On May 31, 1923, current assets totaled 11.9 millions; current liabilities 1.8 millions, leaving a working capital of 10.1 millions, which compared with a working capital of only $13,838 on May 31, 1922.

As Punta Alegre's 1924 fiscal year has just ended (May 31), the forthcoming annual report will evidence very little or no effect from the recent sharp slump in sugar prices. Early in April it was reported that the company had sold 40% of its crop and before the latest break in sugar the major portion of its output was probably disposed of. Indications are that whatever unsold portion was affected by the price drop was quite likely offset by a larger production, the 1924 output being estimated at approximately 185,000 tons compared with 172,330 in the 1923 fiscal year.

It is therefore apparent that the forthcoming annual report for the fiscal year ended May 31, 1924, will show profits comparing favorably with 1923 when $10.53 a share was earned. For evidence of shrinking profits incident to current low sugar prices one must look to subsequent statements. In this connection it is estimated that Punta Alegre can show a small profit on 3c. per pound sugar, which would seem to be confirmed in a measure by 1922 profits of $135,729, in which year Cuban raw averaged about 2.9c. a pound. A profit of ⅝c. per pound is said to be sufficient to maintain present interest charges and dividend rate. A 30% increase in productive capacity is planned for the coming year.

While the publication of Punta Alegre's annual report for the fiscal year ended May 31, 1924, may have a bracing effect on the market for its shares, in the long run for any material advance one must look to an improvement in the sugar situation and sugar prices. A continuation of present conditions would hardly seem to

(Please turn to page 314)

Comparative Tabulation of Leading Sugar Producers

	Cuba Cane Sugar	Cuban-Amer. Sugar	Punta Alegre Sugar	South Porto Rico Sugar	American Beet Sugar
CAPITAL OUTSTANDING					
Common (Shares)	500,000	1,000,000	331,301	112,056	150,000
Preferred	$50,000,000	$7,893,800	None	$5,000,000	$5,000,000
Funded Debt	35,679,000	9,035,000	$10,170,700	5,308,000	None
Land (Acres)	772,867	496,799	7,590	75,350	40,980
PRODUCTION (Tons)	Sept. 30	Sept. 30	May 31	Sept. 30	Mar. 31
1920	545,154	256,127	89,089	90,000	48,110
1921	576,766	292,771	156,260	111,000	65,170
1922	485,003	361,078	163,900	86,500	64,420
1923	477,377	295,639	172,230	83,000	32,280
1924 (est.)	520,000	275,000	185,000	94,000	33,105
COST PER POUND					
1920	$.08523				$.0705
1921	.04355	No	No	No	.0751
1922	.01945	Figures	Figures	Figures	.0553
1923	.03575				.0460
NET INCOME					
1920	$12,344,134	$12,186,897	$6,628,466	$5,278,277	$2,425,810
1921	* 18,972,622	* 7,896,731	* 2,068,867	446,449	133,509
1922	* 2,221,781	2,023,447	135,729	* 1,212,215	* 2,634,046
1923	6,836,277	8,003,148	3,651,631	1,766,946	888,699
1924	....	....	....	....	1,515,972
NET PER SHARE	Preferred	Common	Common	Common	Common
1920	$24.69	$11.63	$28.31	$69.65	$14.17
1921	....	....	....	.41	....
1922	....	1.47	.58	....	....
1923	13.67	7.45	10.53	12.20	3.92
1924	?	?	?	?	8.10
MARKET RANGE					
1920	$85⅞—54	60¼—21½	120 —40	310 —70	103¾—32¾
1921	67⅞—13	33½—10⅞	51½—24¾	103 —26	51 —24½
1922	41⅞—15¼	28 —14½	53¼ 31	57¼—33	49 —31¾
1923	65½—33½	37⅜—23	69¼—41⅞	70 —38¼	49½—25
1924	71⅞—53½	38⅞—29½	67⅝—51	95⅞—67	49½—36
RECENT PRICE	$58.00	$30.00	$52.00	$71.00	$39.00
DIVIDEND RATE	......	3.00	5.00	6.00	4.00
YIELD	......	10%	9.6%	8.4%	10%

* Deficit.

Switching for Income and Profit

The Advantage of Switching — How Investors Can Benefit—Eight Examples

THE practice of switching from one security to another in order to improve holdings should be more generally followed by investors. The average investor is prone to become glued to the stock he has purchased thus overlooking many opportunities, which would otherwise enable him to greatly improve his holdings. Conditions surrounding various securities are constantly changing and whereas a stock purchased a year ago may have been one of the most desirable purchases at that time, changes in stock market as well as business conditions may have made this particular security less desirable than formerly.

In switching from one security to another, the factors to consider in order of importance may be set forth as follows: First, security; second, return on the investment; third, prospects for appreciation in value. It is not necessary for all three of these factors to be in favor of the switch. For example, if the degree of safety is the same and prospects for appreciation in value appear about equal, it is desirable to switch into the security that gives the higher return. If only one of these three factors is in favor of the switch and the remaining two are not against it, the switch is well worth while on investment grounds.

Of course, it is no easy matter to judge which stocks possess the greatest security and which have the best prospects of appreciating in value. In many cases, however, the relative security and future possibilities appear clear enough to warrant making the exchange. In this article, eight examples of switches are given that are desirable from every point of view. In each case, the immediate return on the investment is increased, sounder values are represented and the stock chosen apparently has the better prospects of ultimately appreciating in value.

Switch from
AMERICAN SUGAR, Price $43, Yield —
to
MISSOURI-KANSAS-TEXAS, Price $35, Yield —

American Sugar Refining in 1923 lost money on its refining operations, but income from outside investments, including sugar-producing properties in Cuba, were able to offset this loss and show nearly $2 per share earned on the common stock. If the outlook at the present time were such that profits in sight from the refining end of the company's business appeared satisfactory a good deal could be said in favor of the common stock as a speculation at present relatively low-price levels.

Such, however, is not the case. The rapid drop in the price of raw sugar to around 3 cents, combined with a rather poor demand for the refined product, has in all probability eliminated refining profits this year. Under the circumstances, dividend prospects on American Sugar common are now decidedly remote and weakness of the preferred issue indicates doubt in regard to the safety of this dividend. Holders of American Sugar common would be better placed with a stock such as Missouri-Kansas-Texas preferred. Dividends on this issue appear closer at hand than in the case of Sugar, as earnings so far this year have been at the rate of about $12 a share on the preferred stock. In 1923, approximately $10 a share was earned and as nothing was paid out the road's financial condition has been improved. The preferred stock is entitled to 7% in dividends before the common receives anything and is non-cumulative until 1926 when it becomes cumulative. **While it is true that American Sugar Refining may recover some of its lost prestige, and that the stock in years to come may sell considerably higher, nevertheless Missouri-Kansas-Texas preferred has just as good long-pull possibilities and the immediate future is very much brighter.**

Switch from
SEARS ROEBUCK, Price $88, Yield —
to
SOUTHERN RAILWAY, Price $58, Yield 8.6%

Sears Roebuck & Co. has largely recovered from the heavy losses sustained in the deflation period of 1921, and it is probable that dividends on the common stock will be resumed some time this year. At present levels of 88, however, the stock has already largely discounted dividend payments.

For the year ended December 31st, 1923, the company earned $10.95 a share on the stock and, as sales for the first five months of 1924 show a decrease of 2.64% as compared with the same period last year, it is not likely that earnings will show an important improvement over 1923 figures. Earnings of around $11 a share on this stock hardly warrant a dividend rate of more than six or at the most seven per cent. At 88, Sears Roebuck as a 7% stock would yield 8%.

Southern Railway can now be purchased around 58 to yield 8.6%. There appears to be no advantage in holding Sears Roebuck in the hope that a 7% dividend will be paid when you can get this return at once in Southern Railway.

Eight Desirable Stock Switches

SWITCH	Earned Per Share 1923	Div.	Price	Yield %
American Sugar	1.92	..	43	..
to Missouri-Kansas-Texas Pfd.	10.00	..	35	..
Sears Roebuck	10.95	..	88	..
to Southern Railway	10.11	5	58	8.6
Crucible Steel	* 6.46	4	51	7.8
to American Steel Foundries	9.70	3	34	8.8
Lima Locomotive	11.23	4	57	7.0
to White Motors	13.80	4	52	7.7

* Year ended Aug. 31, 1923.

SWITCH	Earned Per Share 1923	Div.	Price	Yield %
Reynolds Tobacco B	6.76	3	68	4.4
to Westinghouse Electric	8.98	4	56	7.1
Pressed Steel Car	6.65	4	47	8.5
to Philadelphia Co.	7.47	4	46	8.7
Del. Lackawanna & Western	7.09	6	121	4.9
to Southern Pacific	12.94	6	89	6.7
U. S. Rubber	2.31	..	28	..
to Int. Combustion Engine	2.42	2	22	9.0

Southern Railway common stock appears firmly established on a $5 basis. In 1923, over $10 a share was earned on the stock and earnings so far this year have been at the rate of about $12 a share. Surplus earnings for years have been put back into the property and the road is consequently in good physical and financial condition and has been able to take full advantage of the increased industrial activity in the South.

As the writer sees it, the holder of Southern Railway common stock is in a far better position than the holder of Sears Roebuck common.

> **Switch from**
> **CRUCIBLE STEEL, Price $51, Yield 7.8%**
> **to**
> **AMERICAN STEEL FOUNDRIES, Price $34, Yield 8.8%**

Crucible Steel, for the year ended August 31st, 1923, earned $6.46 a share on the common stock and it is questionable whether in the current fiscal year earnings will show any improvement in view of the slowing up in the steel industry since the end of April. American Steel Foundries for the year ended December 31st, 1923, earned $9.70 a share on the common stock. From the viewpoint of recent earnings, therefore, it would appear that American Steel Foundries can more easily support the $3 dividend on its stock than Crucible Steel its $4 dividend.

American Steel Foundries is also in a much stronger financial condition than Crucible. At the close of 1923, the former company had 11 millions cash and Liberty Bonds on hand, whereas Crucible Steel with a larger capitalization had cash and marketable securities on hand of only 5.3 millions. Both companies are free of bank loans, but Crucible has a funded debt of 5.2 millions, whereas American Steel Foundries is without funded debt.

Under the circumstances American Steel Foundries common, yielding 8.8%, appears decidedly more attractive than Crucible Steel common returning only 7.8%. Another point in favor of this switch is that American Steel Foundries earnings in the past have not been as sensitive to general business conditions as Crucible Steel and should be able to hold up better in a period of business recession.

> **Switch from**
> **LIMA LOCOMOTIVE, Price $57, Yield 7.0%**
> **to**
> **WHITE MOTORS, Price $52, Yield 7.7%**

Lima Locomotive, in 1923, earned $11.23 a share on its stock, but conditions in the locomotive industry were unusually prosperous in that period and this report does not represent the average earning power of the company. In 1922, for example, only 25 cents a share was earned on the stock. In the current year, the locomotive companies have been operating at less than 50% capacity and Lima will do well if it succeeds in covering present dividend requirements of $4 a share. While Lima is in sound financial condition, it has not built up a large cash surplus, as in the case of American Locomotive and Baldwin Locomotive, and is hardly in a position to pay dividends unless earned. Should there be a protracted slump in the equipment industry, therefore, the present dividend rate of $4 could easily be threatened.

White Motor Company common stock is apparently in a much sounder position. In 1923, $13.80 a share was earned on the stock as compared with $7.54 a share in 1922. As the company has followed a conservative dividend policy, its financial structure in the past few years has been greatly strengthened. As of December 31st, 1923, total current assets were 26.8 millions as compared with current liabilities of only 5.3 millions.

The company has no funded debt or preferred stock and net liquid assets alone are equal to $43 a share. For the first five months of 1924, it is estimated that the full year's dividend requirements were covered. In addition to being an important factor in the medium truck field, White Motors has built up a large business in the construction of motor busses and a good volume of business in this branch is expected during 1924, due to the extension of motor-bus service in connection with railways as well as for private operation. **White is apparently in position to consider more liberal dividends to stockholders, and its stock is more attractive for ordinary purposes than Lima common.**

> **Switch from**
> **REYNOLDS TOBACCO B, Price $68, Yield 4.4%**
> **to**
> **WESTINGHOUSE ELECTRIC, Price $56, Yield 7.1%**

R. J. Reynolds Tobacco Company is one of the strongest organizations in the tobacco industry, but at present levels, the stock has rather fully discounted all favorable factors in the situation. In 1923, $6.76 a share was earned which is the best showing in the history of the company. Financial condition is very strong and an increase in the present rate of $3 is likely to take place shortly. The management is conservative, however, and a $4 rate is the most that can be anticipated at this time.

While Reynolds Tobacco has a definitely assured future, this can also be said of Westinghouse Electric. Development of water power in the United States is bound to be on an extensive scale for years to come and the continued growth of the radio industry is also assured. Westinghouse Electric for the year ended March 31, 1924, earned close to $9 a share on its stock and the outlook is for excellent earnings in the current fiscal year. Moreover, the financial condition of Westinghouse is equally as strong as that of Reynolds Tobacco. **Under the circumstances, Westinghouse common stock, selling at a price to yield 7.1%, is more attractive than Reynolds Tobacco B, selling on a 4.4% basis.**

> **Switch from**
> **PRESSED STEEL CAR, Price $47, Yield 8.5%**
> **to**
> **PHILADELPHIA COMPANY, Price $46, Yield 8.7%**

With the exception of the war period, Pressed Steel Car has a poor record. In 1921, the company failed to earn its preferred dividend and in 1922 there was a deficit before payment of preferred dividend of $341,688. In 1923, which was a period of great activity in the equipment industry, $6.65 a share was earned on the common. With business on a much lower scale this year, it is an open question whether the company will earn the present dividend of $4 a share.

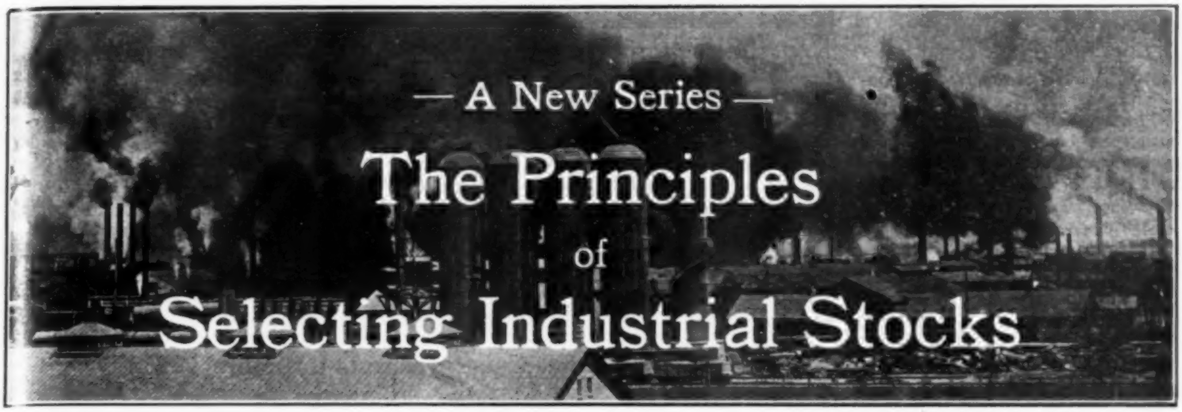
Early in 1923, 6 million bonds were issued and, while this has improved the financial condition of the company, it now has interest charges to meet, whereas none existed formerly. At the close of 1923 bank loans totalled one million and, while financial condition is comfortable, the company is not in a position to maintain dividends on the common stock unless earned.

Philadelphia common, selling at a slightly lower price and paying the same dividends, appears a sounder security. Over a long period of years, earnings have averaged more than the present dividend rate and in 1923, $7.47 a share was earned. Philadelphia Company supplies practically all the natural gas and electric current in Pittsburgh and vicinity. Earnings are much better stabilized than in the case of Pressed Steel Car and even in periods of depression the company has shown a substantial earning power. **As Philadelphia Company serves a rapidly growing industrial section, there are excellent prospects for continued growth in earning power and the stock has much more to recommend it than Pressed Steel Car.**

> **Switch from**
> **DEL., LACK. & WEST., Price $121, Yield 4.9%**
> **to**
> **SOUTHERN PACIFIC, Price $89, Yield 6.7%**

One reason why Delaware, Lackawanna & Western, a $6 stock, sells as high as 121 is its treasury holdings of 6 million 4% Glen Alden bonds. There is a possibility that these bonds will be distributed to stockholders as a melon. Despite this situation, the stock does not appear a bargain at present prices. For the year ended December 31st, 1923, Lacka-

(Please turn to page 311)



— A New Series —

The Principles of Selecting Industrial Stocks

THIS is the fifth of a series of articles designed to aid investors in the selection of industrial stocks. While the main purpose of the series is not to actually recommend the securities, it is to be noted that they have been listed in order of preference in the accompanying tables.

The underlying purpose of these articles is to acquaint investors—where not already acquainted—with the elementary principles on which the purchase of industrial common stocks should be based. Each group of industrial common stocks is surrounded by different sets of conditions, and the principles applicable to the purchase of these securities naturally must be modified in each instance.

Lack of space prevents elaboration of the fundamental principles of investment in industrial stocks, but we believe they have been outlined in such a way as to give the casual investor a fairly practical guide in his ordinary stock dealings. The accompanying article deals with stocks belonging to the miscellaneous retail group. Subsequent article, in the series will deal with other important groups of so-called industrial companies whose shares command public interest.

5. How to Select Retail Trade Stocks

ALL companies that may be classified in the retail trade group have one common characteristic, which is that they sell direct to the consumer, although a few also manufacture and distribute their products to some extent through jobbers or other retailers. In the main, their prosperity depends upon the buying power of the domestic consumer and his willingness to spend money for the particular articles that are sold by the various organizations. Other factors also enter, such as the trend of commodity prices and the degree of competition that exists from time to time in different localities.

Mail-Order Houses

In an analysis of companies in the retail trade group, they should be separated into subdivisions so that a better comparison can be made of their operations. For instance, there are three organizations whose securities are listed on the New York Stock Exchange that are engaged in the mail-order business. The farmers are the most important customers of two of these, that is Sears Roebuck and Montgomery Ward, and conditions in the agricultural communities should always be considered in the outlook for their operations. The importance of retail buying from this source is reflected in the fact that mail-order sales are nearly always largest in volume just after harvest time when farmers have the greatest amount of money.

Because of the nature of the business, the physical assets of mail-order companies, or any organizations engaged in merchandising for that matter, are not of great significance, from the viewpoint of the junior stockholder. The important things are good-will, the record of the company in the form of sales, rate of turnover, and efficiency of management. Good-will is not to be lightly considered as a mail-order company sells so many different articles that each of these cannot be sold on the strength of its own merits, but must be sold on the reputation of the house behind it. Sales record should not only show a fair degree of stability but also a good percentage of increase from year to year.

Thus in comparing the sales of Sears Roebuck and Montgomery Ward for the past three years, it will be seen that those of the former company have shown a much smaller increase. Furthermore, on the basis of inventories at the end of the past year, it would seem that Montgomery Ward turned its inventories about five times during 1923, compared with about 4.7 times for its chief competitor. Yet, on the other hand, Montgomery Ward's net income amounted to but 5.8% of sales while Sears Roebuck was able to show 6.2% net income out of its sales for the year. This better showing may have been due in part to present efficiency of management but can be attributed to some extent to the fact that Sears Roebuck has a more adequate working capital, accumulated during past years of prosperity.

A study of different figures available would warrant the belief that, market prices for the stocks considered, the prospects for Montgomery Ward common are much better than those for the common stock of Sears Roebuck.

National Cloak & Suit common, the third of the mail-order group, appears to have long-pull possibilities. It will be noticed in the accompanying table that this company showed a large deficit in 1921, and also in the year previous but, on the other hand, these were the only two years in the last thirty in which a substantial profit balance was not reported. The unusual conditions prevailing in those two years make it unwise to include the results in estimating National Cloak & Suit's earning power.

Department Store Operations

Factors must be taken into consideration in the choice of a department store stock that do not exist in regard to mail-order companies. In the first place, the location of the store is of great importance. Another important factor is whether there are a series of stores in different parts of the country under the management and control of the one company. Thus, while R. H. Macy & Co., Inc., has but one establishment in the City of New York, the Associated Dry Goods Corporation and others have a number of stores. It is accordingly evident that the profits of one organization are not as susceptible to changes in local conditions as those of another.

The location of the store or stores is also important. A shifting of trade centers in a city may mean that a particular establishment will lose its share of the increase in business.

It may be said at this point that department stores as a group, show a remarkably steady sales increase from year to year. Even during the depression of 1921, sales rose several per cent in value and still more in volume, although general business conditions were deplorable. The total normal annual increase in department store sales, as calculated from fairly reliable figures, is about equal to the per

cent of yearly growth of population.

The various ratios that have been given on the department store companies in the accompanying table furnish a fair idea of their comparative operations. Due to the limited amount of space available, these ratios have not been applied to other groups, but the reader will find it very helpful in making comparisons of other companies. The first ratio, that of inventories to sales, gives the turnover of merchandise during the year and the smaller this percentage figure, the more rapid the turnover and the healthier the company.

The importance of the second ratio, that of capitalization to sales, lies in the fact that it shows how efficiently capital

COMPARISON OF LEADING RETAIL SYSTEMS

Stocks listed in order of preference, based on prospects for appreciation.

TABLE I—THE MAIL ORDER COMPANIES

		Sales	Net Income	Working Capital	Profits per Share	Price Range of Com.
National Cloak & Suit Co.	1921	$37,400,000	$2,400,000 def.	$5,500,000	$20.60 def.	$35-15
	1922	45,300,000	2,000,000	6,900,000	12.50	66-26
Recent price of common stock, 45	1923	52,300,000	2,100,000	7,500,000	14.00	67-40
Montgomery, Ward & Co., Inc.	1921	68,500,000	8,900,000 def.	14,700,000	9.50 def.	25-12
	1922	84,700,000	4,500,000	18,300,000	2.05	25-12
Recent price of common stock, 23	1923	123,700,000	7,200,000	24,000,000	4.40	26-18
Sears, Roebuck & Co.	1921	159,000,000	16,400,000 def.	71,900,000	17.00 def.	98-54
	1922	160,600,000	5,700,000	70,800,000	5.15	94-59
Recent price of common stock, 88.	1923	191,300,000	12,000,000	65,900,000	11.50	92-65

TABLE II—THE DEPARTMENT STORE STOCK COMPANIES

(FIGURES FROM 1923 OPERATIONS)

Company	Sales in $	Inventories to Sales in %	Capitalization to Sales in %	Earnings to Sales in %	Earnings to Cap'ation in %	Net per Share in $	Recent Price of Com., $
Gimbel Bros., Inc.	101,500,000	15.5	42.9	7.2	16.6	10.40	49
May Department Stores Co.	90,900,000	16.2	16.2	8.5	34.9	12.35	85
National Department Stores, Inc.	72,300,000	16.0	39.9	5.9	14.9	6.75	38
Associated Dry Goods Corp.	*58,000,000	14.3	21.5	6.3	29.3	17.85	90
R. H. Macy & Co., Inc.	51,200,000	15.6	42.5	6.4	15.6	7.55	60

* Estimated sales, excluding those of Lord & Taylor of which company Associated Dry Goods owns the majority of stock.

TABLE III—THE FIVE AND TEN CENT STORE COMPANIES

		Number of Stores	Total Net Sales	Av'ge Sales per Store	Net Profits	Av'ge Profits per Store	Earnings per Share	Div. Paid
S. S. Kresge Company	1917	184	$30,000,000	$183,400	$1,860,000	$11,300	$17.25	$4.00
	1922	212	65,100,000	307,500	6,614,000	31,200	35.50	7.00
Recent price of Kresge common, 360.	1923	233	81,800,000	351,200	9,492,000	40,700	38.15	8.00
McCrory Stores Corporation	1917	143	7,800,000	54,700	321,700	2,200	3.95	....
	1922	161	17,100,000	106,000	1,185,000	7,300	15.05	14% stk.
Recent price of McCrory common, 67	1923	167	21,300,000	127,500	1,671,000	9,400	*4.35	*6% stk.
S. H. Kress & Co.	1917	144	17,600,000	122,400	1,465,400	10,100	9.80	....
	1922	145	30,600,000	211,300	3,088,600	21,300	22.80	4.00
Recent price of Kress common, 205	1923	152	34,000,000	223,400	3,472,900	22,800	26.10	4.00
F. W. Woolworth Co.	1917	1,000	98,100,000	98,100	9,252,300	9,200	†15.82	†8.00
	1922	1,182	167,300,000	141,500	18,324,300	15,500	†26.40	†10.10
Recent price of new Woolworth stock, 98.	1923	1,260	193,400,000	153,500	20,698,100	16,000	31.85	†8.00

† On basis of old capitalization, the par value of the capital stock having been changed from $100 to $25 during April, 1924, and are to be exchanged at the rate of 4 to 1. Dividend rate will be $8 per annum on new stock.

* Amount of common outstanding increased from 70,000 in 1922 to 364,000 in 1923.

TABLE IV—THE MISCELLANEOUS CHAIN STORE SYSTEMS

Company	Capitalization: Bonds (000 omitted)	Capitalization: Pfd. Stk. (000 omitted)	Capitalization: Com. Stk. (No. of shs.)	Earned Per Share in $: 1920	1921	1922	1923	Recent Price of Com.	Average Earnings in % of Price	Cur. Div. Rate $	Yield %
G. R. Kinney Co.	$2,235	$5,374	50,000	9.20	3.20	9.10	8.31	$54	13.8	..	..
Waldorf System, Inc.	684	866	441,000	1.15	1.80	2.60	2.35	15	18.1	$1.25	8.3
Loft Incorporated	1,000	.....	650,000	1.10	1.12	0.90	0.55	5½	16.9	..	..
United Cigar Stores	5,940	4,527	†328,000	15.30	11.50	12.30	13.50	175	7.5	12	6.8
Schulte Retail Stores	......	3,800	300,000	1.20	2.40	8.60	12.00	102	6.1	a8	8.3
Exchange Buffet Corp.	......	.....	248,000	2.00	2.20	2.15	2.10	20	10.1	2	10.0
United Drug Co.	13,388	16,479	356,000	9.00	d5.00	5.75	8.40	72	6.2	6	8.3
Weber & Heilbroner	......	732	225,000	0.65	1.12	2.16	2.40	16	9.8	1.00	6.2
Jones Bros. Tea Co., Inc.	......	3,760	100,000	0.85	1.45	2.85	d1.00	22	5.9	..	..
Jewel Tea Co., Inc.	......	8,640	120,000	d21.50	d0.55	d0.90	3.10	17	...	..	..

† Common shares recently decreased in par value from $100 to $25 and exchanged on a four to one basis. Above calculations are made on the old stock.

a Payable in preferred stock.

d Deficit.

is being used in the business, but surplus should be taken into account in this regard. The ratio of earnings to sales gives the number of cents profit in each dollar of sales which should be compared with the results of other companies in the same group. A high ratio of earnings to capitalization is, of course, desirable but may be due either to a large profit on net worth or a large profit and loss surplus.

It is worth while to point out one striking illustration of what can be learned through a statistical comparison of these companies. It will be noted in the accompanying table that the common stock of R. H. Macy & Co., Inc., is quoted around 60 and that last year's net came to $7.55 per share which is a reasonable gauge of the company's earning power. Compared with this, Gimbel Bros. earned $10.40 a share and its common stock is quoted at 49. Neither pay dividends at this time. Certainly there is nothing more favorable in the outlook for Macy's than for Gimbel's. In fact, it is if anything the other way round, and in the past year Gimbel turned inventories over more often, showed more cents profit from each dollar of sales, and earned more per share. In the writer's opinion, the stock is out-of-line.

Five-and-Ten Stores

As previously stated, the ratios given above can also be applied to other subdivisions of the retail trade companies to advantage. In the case of the five and ten cent stores, it is essential to calculate the yearly increase in average sales per store, and compare the resulting figures with increase in net per share. On the whole, it may be said that the picking of the most promising security in this group is a difficult task. The one real differentiating factor is the ability of some companies to expand faster than others and still make large profits. S. S. Kresge Company appears to be the leader in this respect. All four companies given in the accompanying table have remarkable earning records and good prospects. Their earnings are not likely to be affected by a depression as demonstrated by the fact that the 1921 débâcle had no effect on the five and ten-cent store business.

The Miscellaneous Chain Stores

The miscellaneous chain-store systems represent many different lines of retail business which makes it difficult to apply any ratios to their operations except in the case of one or two, such as Schulte Retail Stores and United Cigar Stores, or Jewel Tea and Jones Bros. Tea. It would hardly be logical to compare the actual operations of a group of shoe stores with those of chain restaurants, except as regards earnings, etc. Financial condition, capital structure, earning power and ability to grow are the important comparative factors. The average earnings in the past four years in per cent of price will give a good idea of the attractiveness of the security, if all other matters are favorable, such as upward trend of earnings and strong cash position.

Preferred Stocks

Spectacular Advances in Rails and Utilities

THE preferred share market during the past two weeks gained ground although the oils and sugars were weak features, being affected by the speculative estimate of the situation existing in those industries. Marked advances were shown by other industrial preferred shares, particularly American Woolen, Famous Players, and Associated Dry Goods, which are carried in the Guide. However, chief interest was centered in the spectacular advances recorded by the public utilities. American Water Works & Electric Corporation participating preferred was a star performer, with an advance of ten points. In view of the good earnings of the company and the fact this stock participates therein, we still consider it attractive. The first preferred also gained three points and Public Service of New Jersey 8% preferred advanced four. The preferred stock market is exceedingly strong and offers excellent opportunities for income and profit owing to the favorable money situation and outlook for improved business.

PREFERRED STOCK GUIDE

(LISTED IN ORDER OF PREFERENCE)

These Stocks Are Selected as Offering Best Opportunities in Their Respective Classes, Taking Into Consideration Assets, Earnings and Financial Condition of the Companies Named.

	Div. Rate $ Per Share	Approx. Price	Approx. Yield	*†Divid o Times Earned
Sound Investments				
INDUSTRIALS:				
American Ice Company (n.c.)	6	81	7.4	2.2
United States Realty & Improvem't Co. (c.)	7	100¾	6.9	2.7
General Motors Corp. deb. (c.)	7	93	7.5	(y) 5.1
American Woolen Co. (c.)	7	98¾	7.1	2.5
Cluett-Peabody & Co. (c.)	7	102½	6.8	4.7
Loose-Wiles Biscuit Co. 1st (c.)	7	105½	6.6	3.2
American Can Co. (c.)	7	114½	6.1	2.5
Allied Chemical & Dye Corp. (c.)	7	115	6.1	(x) 4.5
Baldwin Locomotive Works (c.)	7	115	6.1	4.4
Endicott-Johnson Corp. (c.)	7	109	6.4	4.6
Sears-Roebuck & Co. (c.)	7	115	6.1	12.8
PUBLIC UTILITIES:				
North American Co. (c.)	3	46½	6.5	(w) 6.9
Philadelphia Company (c.)	3	44½	6.7	5.6
RAILROADS:				
New York, Chicago & St. Louis (c.)	6	83½	7.2	(x) 2.5
Chesapeake & Ohio conv. (c.)	6.50	103	6.3	4.9
Middle-Grade Investments				
INDUSTRIALS:				
Mack Trucks, Inc., 1st (c.)	7	97¼	7.1	(y) 2.8
Bush Terminal Buildings Co. (c.)	7	94½	7.4	1.1
Coca-Cola Co. (c.)	7	93	7.5	(x) 5.1
American Sugar Refining Co. (c.)	7	85	8.2	2.4
Brown Shoe Co. (c.)	7	86	8.1	2.2
Bethlehem Steel Corp. conv. (c.)	8	106	7.5	3.8
Cuban-American Sugar Co. (c.)	7	97¼	7.2	6.4
California Petroleum partic. pfd. (c.)	7	95	7.4	1.3
J. Kayser & Co. (c.)	8	88	9.0	2.0
American Smelting & Ref. Co. (c.)	7	98	7.1	1.7
American Steel Foundries (c.)	7	105	6.7	5.0
Gimbel Brothers, Inc. (c.)	7	100	7.0	3.3
U. S. Industrial Alcohol Co. (c.)	7	101	6.9	6.4
Armour & Co., of Del. (c.)	7	86½	8.1	(z) 2.9
Allis-Chalmers Mfg. Co. (c.)	7	91	7.7	2.8
Associated Dry Goods Co. 1st (c.)	6	86	7.0	3.0
Genl. American Tank Car Co. (c.)	7	94¼	7.4	5.4
Natl. Cloak & Suit Co. (c.)	7	93½	7.5	...
PUBLIC UTILITIES:				
Amer. W. Wks. & Elec. Corp. 1st (c.)	7	93½	7.5	(x) 2.2
Metropolitan Edison (c.)	7	91½	7.7	...
Public Service of N. J. (c.)	8	104	7.7	(y) 3.4
RAILROADS:				
Baltimore & Ohio (n.c.)	4	57½	6.9	...
Bangor & Aroostook (c.)	7	91	7.7	2.5
Colorado & Southern 1st pfd. (n.c.)	4	54¾	7.3	6.2
Pittsburgh & W. Va. (c.)	6	96½	6.2	2.6
Semi-Speculative Investments				
INDUSTRIALS:				
Famous Players-Lasky Corp. (c.)	8	96¼	8.3	(y) 5.7
Pure Oil Co. conv. pfd. (c.)	8	95	8.4	3.5
American Beet Sugar Co. (n.c.)	6	74½	8.0	1.3
National Department Stores (c.)	7	93½	7.5	4.0
Fisher Body Corp. of Ohio (c.)	8	99½	8.0	...
Austin, Nichols & Co.	7	82	8.5	(w) 1.5
Worthington Pump & Mfg. "A" (c.)	7	76	9.2	2.0
Orpheum Circuit (c.)	8	93½	8.5	(w) 2.5
PUBLIC UTILITIES:				
Amer. Water Wks. & Elec. 2d pfd. (c.)	6	82	7.3	(w) 1.8
RAILROADS:				
Pere Marquette (c.)	5	64	7.8	2.2
St. Louis Southwestern (n.c.)	5	59½	8.5	1.7
Kansas City Southern (n.c.)	4	52	7.6	1.5
Southern Railway (n.c.)	5	72	7.0	1.7

(c.) Cumulative. (n.c.) Non-cumulative.
(w) Average for last two years.
(x) Average for last three years.
(y) Average for last four years.
(z) Stock was issued this year.

* Based on average earnings during past six years.
† Average number times earned last five years.

Building Your Future Income

A Department for Men and Women Who Look Ahead

National City Co.

Our Own Commencement Address

WHAT the Old Timer would call "high-falutin" speeches and addresses are all right in their place. And the senior classes of high schools and universities who have only this one additional hurdle to leap before reaching the world beyond may derive no little benefit from them.

Just the same, one could wish that one or two of the Baccalaureates and Valedictories and Commencement Addresses and what-not with which our graduates are so soon to be inundated might contain a little more harsh common sense and a little less beclouded loftiness—be a little less inspiring and a little more informative. . . .

* * *

In fact, if anybody asked us, which nobody will, we'd be sorely tempted to address a graduating class ourselves, if only to put to the test some of our own theories on the subject of True Talk vs. "Pretty" Speaking. We can imagine ourselves (pardon the presumption!) standing on a slight eminence, facing a sea of eager, shining, intelligent young faces and crying out:

"Young men and women, don't let people who ought to know better beguile you into thinking that high ideals, lofty sentiments, noble aspirations and all those other jelly-mash intangibles which have been made so much of in your school careers are all that really count in after life.

"Leave your schools and enter the greater world beyond without these illusions, free from all such pettifogging notions, unbemused and unbefuddled and with a clear, untrammeled perception of what it is you face. A world where two plus two makes four—a world where men survive by sweat and hard labor—a world where facts take the place of theories, where dreams give way to realities, where life must be faced *as it is* and not as the Pretty Talkers would have us think it to be.

* * *

"In this world, you will find a man valued, first, according to what he is. That is to say, dirty

habits, vile companions, a lazy mind or an indolent body, servility, cowardice, presumptuousness, conceit and all the other ear-marks of a 'type' will operate heavily against you—perhaps make you an absolute failure. On the other hand, cleanliness, ambition, self-respect, modesty and the like will operate strongly in your favor—perhaps give you the very start you will need.

"But after that, success in your life will depend upon many very definite things. And all of these things will depend, in turn, upon you.

* * *

"If you pick the work you are suited for, that will help. If you work indomitably and persistently and conscientiously at the job you get, that will help. If you marry someone who is well and able to share your fortunes with you—who will carry a fair portion of the responsibilities and cares and worries you must face, that will help. If you start at the beginning putting something by out of what you earn, and keep adding to it, that will help. If, after you marry, you budget your income and expenses and STICK TO YOUR BUDGET, that will help. If you honestly and persistently study the art of investing and practice that art until you have perfected yourself in it, that will help. If you avoid, so far as possible, buying on credit, and fight tooth and nail against unnecessary additions to your 'fixed obligations,' that will help. If you keep your mind active and alert and maintain a constant watch for opportunities to develop yourself, that will help. If you guard your body and your brain and build up both by regular, sensible exercise and recreation, that will help.

* * *

"Of course, young men and women," we would conclude, "all these observations and suggestions are very much of the earth, earthy. But so is the world very much of the earth, earthy. And it is the WORLD you are going into—not heaven!"

All of which, probably, would be followed by a contemptuous silence on the part of our audience. But what of that? Think of the enormous satisfaction to us in having delivered one commencement address from a plane just a little bit lower than the clouds!

To Young Men and Women—

The Building Your Future Income Department of THE MAGAZINE OF WALL STREET is offered here for its usefulness to you.

We want you to feel free to consult the Department, at any time, any number of times, and in all matters relating to your financial affairs.

If you will follow the Department regularly, we think you will receive real benefit from it. You will find in it many features of sustaining interest. One of the newer features, which should appeal particularly to you, is the series of explicit suggestions for the immediate investment of smaller sums of money. This will appear regularly. In addition, our regular readers get many helpful hints and money-making or money-saving ideas from Mrs. Clarendon's Life Insurance talks, the Home Building studies, the Personal Experience stories, and all the other features appearing here.

"BYFI," to many people, has acquired a real personality—the personality of a good, reliable, old-fashioned friend. We would like our newer readers to look on it in that light. The Department doesn't try to be dignfied, austere or impressive. It tries to be—friendly. Service being the truest evidence of friendship, the Department would like you to let it demonstrate its friendliness to you. *Use it as often as you please!*

What Kind — How Much — and Why?

Some Questions and Answers of Current Interest About Insurance

By Florence Provost Clarendon

FOR A DOCTOR
What Kind of Insurance Should He Carry?

For some time I have noticed your article and would like your advice on my problem.

I am carrying a $50 a month income policy with the Travelers of the "as long as she shall live" variety—20 Payment Life which finishes in ten years, $1,000 20 Payment Life Expiring in one year, $4,000 Term which runs out in another year and $10,000 Ordinary Life with the Equitable. I need at least $10,000 additional and do not know what to purchase.

I have been considering the $1,000 a year income policy of the Travelers, paying from age 65 at a cost of $290 a year for 29 years. This would amount to $323 a year with the total disability and double indemnity features, paying $10,000 at death.

In your opinion, is this good insurance to buy? Insurance men themselves buy ordinary life. Business men buy ordinary life or term and rarely touch the high-priced income policies. They do so on the basis that insurance should not be used as an investment but as protection, leaving the difference in premiums to invest themselves. A doctor on the other hand is not apt to be a good investor and I have not been the exception. I have a new home with a considerable mortgage and am just getting on my feet again after two years' post-graduate work, with no income and the outgo of carrying a family with four children during that period. Now, after another two years, I am coming on well but a premium on a new policy of over three hundred dollars has to be taken into consideration unless I can consider that amount just as well placed as though I were putting it into a reduction of the mortgage.

Therefore, permit me to ask:

1) *Is it well to buy the high-priced Income policy?*

2) *Is a straight 20 Payment Life better, or*

3) *Is it still better to buy Ordinary Life?*

4) *What is your opinion of Term Insurance?*

5) *After paying for 6 years on the Equitable Ordinary Life mentioned above, is it good judgment to pay up the difference of about $720 to make it a 20 Payment Life and thereafter pay the higher rate?*

6) *How about the Mutual companies versus the Stock?* —*A. W., Schenectady, N. Y.*

I think you have been misinformed regarding the type of protection usually carried by business man and those who are in the life insurance field. The advantage of carrying protection on the Limited Payment forms is generally conceded, since it relieves the insured of the necessity of meeting premiums in old age when earning capacity has lessened or entirely ceased. For a professional man especially, a limited term for premium obligations is particularly desirable.

Term insurance furnishes only temporary protection and, while it has its uses, the advantages of the permanent plans over the Term plan are outstanding.

The policy contract you outline with the Travelers, providing an income for life after age 65, would appear to be an excellent type of protection for a man in your position. Your children would probably be independent on your attaining that age, and you would doubtless desire to take life easier then. In this event, the income of $1,000 a year from this policy would be a most agreeable asset.

Since you intimate that you are running under considerable expense at present and are still building up your practice, I would not advise your changing the Equitable policy from Ordinary Life to the 20-Payment form since it would necessitate the payment of $720 to make the transfer. You could, however, apply the dividends under this policy annually toward shortening the premium obligations, with a view to making the policy paid up in later years.

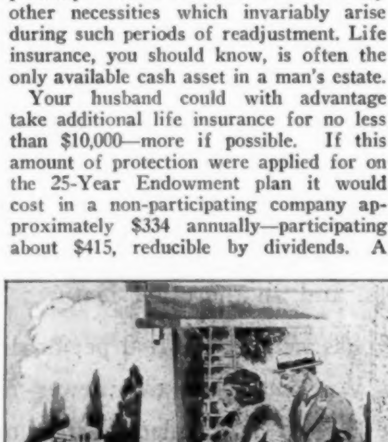
FOR A $10,000-A-YEAR MAN
Why He Should Add to the Limited Insurance He Carries

Will you kindly advise me how much insurance, and what kind we should have? My husband was 39 last January and now has $2,000 Life in the Phoenix Mutual, 20 premium, taken in 1916, $68.60; $5,000 Life in the Travelers, taken in 1916, $92.10; $2,500 Accident in the Standard, $30; $5,000 Accident, Travelers Form, E. D., accumulative, $25.

I was 36 last February and have two $1,000 Endowment policies due in 1950. We have a girl 12 years old and a boy 10. My husband's income has averaged over $10,000 the last three years. We want to look out for our old age particularly.—Mrs. R. E., Pittsburgh, Pa.

Aside from this Accident Insurance, your husband carries but $7,000 Life Insurance for family protection, and I would strongly advise that he increase this. In the event of his death after some weeks of illness, it is quite conceivable that the proceeds of the $2,000 policy he carries would be entirely absorbed in the payment of the usual medical and other expenses, while further provision would probably have to be made for the many other necessities which invariably arise during such periods of readjustment. Life insurance, you should know, is often the only available cash asset in a man's estate.

Your husband could with advantage take additional life insurance for no less than $10,000—more if possible. If this amount of protection were applied for on the 25-Year Endowment plan it would cost in a non-participating company approximately $334 annually—participating about $415, reducible by dividends. A policy on this form would afford family protection up to your husband's 64th year, when, in all probability, your children would be personally independent and the need for such coverage non-existent.



Upon the maturity of the 25-Year Endowment, the proceeds could then be applied with advantage to the purchase of a Joint and Survivor annuity for yourself and husband, or a Single annuity, if but one were then surviving. This would furnish a settled annual income for life thereafter, free from any investment responsibilities and yielding an excellent return.

CAN A WOMAN BUY "TERM"?
What Would Best Protect Women Partners in Business?

I read with great interest your article on "How to Obtain Cheap Insurance to Tide You Over While Income Building" and would like to take advantage of the privilege offered readers of The Magazine of Wall Street *to make some inquiries:*

1) *What would the annual premium amount to on a 5-year (10-year) Convertible Term Policy in the sum of $10,000 at the age of 35 and at the age of 47?*

2) *What is the age limit to obtain such an insurance?*

3) *Could you give me the name of a reliable Insurance Company that issues such policies?*

I am greatly interested in the above as a friend of mine and myself are about to start in business and we would like to obtain some adequate protection during the time we spend in building up.—Miss A. D., Philadelphia, Pa.

Partnership insurance for the benefit of a business is an excellent mode of protection and you and your friend are wise in considering this type of coverage. In event of the death of either of the partners, the remaining member would have an immediate cash asset.

I fear, however, that you will have to seek the protection on some other form than that of Term insurance, as the majority of "Old Line" insurance companies do not offer Term insurance to women.

You could with advantage consider taking insurance on the Ordinary Life plan, however, which has the advantage of carrying cash, loan and surrender values; whereas the Term policy simply provides against the hazard of death.

At age 35 the Ordinary Life policy costs about $20.18 (non-par.) per $1,000; participating rates approximately are $26.35. At age 47 the Ordinary Life costs about $32.83 per $1,000, non-participating; and on the participating plan, $40.12.

We prefer not to give preferential advice regarding the Life Insurance companies, but if you care to name the company in which you are tentatively interested, I should be glad to advise you further.

Getting There Together!

How the Investment Association Idea Is Being Practiced by a Group of Chicago Men

Out in Chicago, a number of employes in a certain business organization have grouped themselves together and formed an Investment Association.

Through this Association, according to a recent unsolicited letter to Building Your Future Income, these employes are achieving together what we are all more or less in quest of i.e., Financial Independence.

Realizing the widespread interest among BYFI readers in the Investment Association idea, we asked one of the officers of this particular association to give us a comprehensive statement of its operating methods, by-laws, etc. His reply is given below, except for omission of the name of the organization, and we hope it proves as interesting to our readers as it did to us.

HAVE YOU AN INVESTMENT ASSOCIATION IN YOUR COMMUNITY?

If you have, and are willing to tell about it, BYFI would like to print a brief summary of your Articles of Agreement, some idea of the success attained, the "cost" of membership, etc.

BYFI suggests this not with the idea of boosting any particular Association but simply to further the Investment Club idea in this country. Theoretically, the idea back of the Investment Association is eminently sound.

On this page will be found a description of a Chicago Association, whose members claim it to be a boon financially. We would like to publish more of the same kind of article which has an obviously practical application to individual investment problems.

A LITTLE over a year and a half ago five of us started Our Own Investment and Trust Association for the purpose of helping its members establish and maintain a definite savings plan and to educate them in the principles of investing. Each member paid certain set dues per week and the money thus received was invested by a trustee. We subscribed to several financial magazines and a course in finance and investing, circulating these among the members.

Before long we had 15 members and, by good luck more than anything else, had made several fortunate transactions. And to put this plan in still better shape as to management, operation, safety, individual liability and expansion, it was thereupon decided to form a corporation to replace the old Association. The Blank Investment Assn., incorporated under the laws of Illinois to deal in investment securities, etc., with an authorized capital stock of 2,000 shares ($10.00 par) was the outgrowth of that first meeting of five, and some midnight oil.

The Organization

The organization of this corporation is much the same as any other corporation, being controlled by a board of six directors elected annually by the stockholders. The officers—a President, Vice-President, Treasurer and Secretary are elected by the board for one year and are in charge of the routine business and transactions of the corporation, receiving as salary 1% of the net profits each year payable in stock, but not less than one share in any year.

The President is the supervising official and is responsible to the board of directors for the carrying on of the work.

The Vice-President is under the general supervision of the President and the board purchases all securities. Assisting him are various men who keep in touch with certain assigned securities.

The Treasurer handles all the funds of the corporation and is bonded for $5,000.

The work of the Secretary is the same as that of any corporation Secretary.

A set of by-laws have been drawn up which amply protect the stockholders as to the rights and powers which can be exercised by the directors and officers. They also include the formal regulations for conducting the business systematically and define the duties of the board of directors and officers. These by-laws can only be amended by a ⅔rds vote of the stockholders.

The plan under which we operate is as follows: Each stockholder subscribes every year for as many shares as can be paid for within the year by his savings each month, some paying $5.00 and some $10.00 per month. Subscription payments are collected twice a month on pay-days and a charge of 10c. per day is made on those who let their payments lapse over one day. This prevents laxity and makes payments easier as everyone has money on pay-day. So far we have collected only about $1.20 in fines over a period of twenty months.

At the end of the year, stock certificates are issued for all paid up subscriptions and new subscriptions are entered into for the ensuing year. In case a stockholder is unable to keep up his payments for any reason, he is issued a stock certificate for the number of shares covered by his payments to date. He then has the opportunity to dispose of it to any of the other employes or to keep it. Although this stock has not the open market a stock on an exchange has, there is really no difficulty in finding a buyer in case any individual wants his money back.

Cash dividends, it is hoped, will be inaugurated at the end of the five-year period. All dividends declared during the first five years are paid in stock so that all earnings are kept in the business. The money thus collected is invested according to the following plan: 20% is put in a Reserve Fund consisting of A1 First Mortgage Gold Bonds, 60% in good dividend-paying securities and the remaining 20% in securities of a more speculative nature.

How Securities Are Bought

All securities are bought outright and marginal trading either with cash or collateral is absolutely prohibited by our by-laws. We recently have made arrangements to buy stocks on a partial payment plan with a company which lends us 80% of the purchase price and buys the stock outright for us, depositing it with a trust company to which we make the balance of our payment in 12 monthly installments. This costs us 6% on the debit balance

plus 1% of the purchase price as a service charge.

Included in the service charge is the broker's commission and the right to statistical reports on any security.

Under this method we eliminate all risk except that of decline in the market price of the security, inasmuch as the contract specifies that the stock certificate, all dividends declared and our monthly payments shall be placed in the hands of the trust company until paid for in full and not with any broker. Under this plan we can sell out any time or take up the unpaid balance and get the stock certificate immediately.

The Secret of Success

It is not entirely the plan of this organization which in itself has been the cause of our success so far but the application to which it has been put. At the beginning none of us knew the A B C of investing and even now are not past the "Hs," but we are gradually and steadily making progress. We have subscribed to a course in finance and investing, to several financial services, and most of the leading financial publications and are in this manner preparing ourselves to intelligently invest our money. Of course, this means work and as this work must be done outside of regular business hours, it means "homework." We take "homework" more seriously now than at school because it means dollars and cents.

Now, why is this plan proving so successful? Why are 27 people (we have that many now and could double this number without any trouble, if we so desired) using our method rather than some of the other numerous advertised systems, or even the company's Employees Savings Fund which pays 6% interest? What is there in this organization for the individual that attracts his money, his interests, enthusiasm and spare time?

First, it is because our plan of saving obligates them at definite periods thereby developing the habit of systematic saving. Some have even authorized deductions from their salary checks to be paid directly to us. It also puts their savings where they cannot draw it out whenever the slightest desire arises.

Second, because they are capitalizing their saving power many times over.

Third, because they get more stability and safety on account of the greater diversification in the investments made by the corporation.

Fourth, because of the opportunity to educate themselves in the theory and practice of finance and investing by using the financial literature subscribed for by the corporation and by taking some part in the carrying out of the business of the corporation.

Fifth, because the Blank Investment Assn. is a child born of their own ideas, fostered by sound ideals and growing by their nourishment.

We have accepted as our purpose and ideals the following: The foundation of this organization relates to the following axiom, that "The habit of consistent and steady saving is the cornerstone to a successful career" and it is our first and most important duty to educate our stockholders in the necessity of thrift.

The second precept is, "Thrift requires that money be used and not abused—that it should be honestly earned and economically employed."

Third, and last, it is the purpose of this organization "to give to its stockholders the opportunity to acquire experience in the basic principles of finance and investing through their personal participation in the business of this organization and to assist them in preparing and maintaining an independent income from investments."

Investing—Not Gambling!

In conclusion, a word of caution would not be out of place. Our experience has taught us that investing and speculating does not mean gambling; that cheap stocks are not always low-priced stocks; that patience, time and the intelligent use of facts are better than hunches, tips or guess work. If our success continues it is because we study harder, analyze more carefully, save systematically and invest more wisely, collectively than individually.

Points for Income Builders

Brief Definitions of Some of the More Frequently Heard Financial Terms

WHAT is a "lien"—a "prior lien"—a "senior security"—a "collateral lien"? These are common enough terms in Wall Street and have a meaning of direct significance to the investor. Brief definitions of them will be found in what follows.

Lien

From an investment point of view, which is the only point of view we have to consider here, a "lien" may be said to be merely a *claim* upon a certain property or group of properties which claim is vested in the holder of given securities outstanding "against" the properties in question.

This "lien" or "claim" exists so long as the securities conveying it are outstanding against the properties. It becomes operative immediately upon the bankruptcy or insolvency of the corporation issuing the securities.

First Lien (or Prior Lien)

A "lien" on a given property, as described above, will not necessarily constitute a *first* claim upon that property. Other securities may have been issued before this particular lien was granted and may enjoy precedence over it in the event of insolvency. When a lien *is* a first claim on a property, however, it is classified simply as a "first lien." This means, of course, that in the event of trouble the holders of this first lien must be satisfied first in the matter of their invested principal before other property creditors may be considered.

In describing a lien, it is necessarily the practice to define the property against which the claim exists. For example, here is a typical description of the "lien" enjoyed by the 7% General Mortgage Bonds of the Great Northern Railway Co.

> "*Lien*—Secured by a first lien on 238 miles, a second lien on 2,112 miles, a second collateral lien on 545 miles, a third lien on 4,114 miles and a fourth lien on 666 miles. Also secured on trackage rights, equipment and deposited securities aggregating $134,757,494."

Collateral Lien

In the above example of a lien, the term "collateral lien" appears. This means that the bonds in question have a claim upon securities which, in turn, constitute a lien on a given property. In other words, the collateral lien is an indirect lien rather than a direct one—with the difference often more apparent than real.

Senior Security

Where the term "prior lien" refers to specified properties of a corporation in terms of certain of that corporation's securities, the term "senior security" refers to all the properties of the corporation in terms of its entire capitalization. Thus, a corporation's "senior security" will be its ranking security—the first one in respect of its claim upon assets, earnings, etc.

Junior Security

As between any two securities of a given corporation, one will always rank higher than the other in its claims upon the issuing company. To differentiate between the two, the terms "senior" and "junior" will be used, with "junior" applied to the lesser issue.

Their Expense Account

(Actual Year)

Food & Lunches	$932
Shelter	816
Clothing	988
Service	397
Fuel, Light, Ice & Gas	232
Furniture & Househ'd Equip't	495
Medical	115
Educational .	176
Recreation ..	59
Vacation	158
Charity	50
Xmas	189
Auto Exp.* ..	605
Carfare	78
Incidentals ..	308
TOTAL	$5,598
Taxes†	460
TOTAL	$6,058
Insurance & Savings	1,942
GRAND TOTAL	$8,000

* Includes Garage Rent

† Local, State and Federal

How One Couple Lives on $8,000 a Year

Also Some Suggestions Made to Readers of the Budget Page

By "Budget"

WHEN we undertook to develop a budget page in BYFI, we fully expected to be interested.

But we scarcely anticipated that the routine features of the task would be so completely relieved as they have been by the sort of letters received.

Many readers of BYFI have not only honored us with the completest confidence since the budget page opened up, but their letters to us have been richly spiced with humor, philosophy and sound suggestion.

Thus, what might have developed, merely, into "that much more work" has actually developed into a most interesting and, to us, informative exchange of thoughts and ideas.

Here's hoping that readers will keep the good work up!

Some of the problems we have been asked to work on have called for rather delicate handling.

For example, Miss J., of New Jersey, asked us to budget her income of $137.50 per month and still make provision for these regular expenses: Taxes, $240; Interest on Mortgage, $150; Fuel, $148. Miss J., of course, owned her own home.

Working on the case, we charged off to annual expense under Shelter the items of: Interest, $150; Water, $10; Insurance, $30, and Taxes, $240—a total of $430. To "Fuel, Gas, etc.," we charged $248 and to "Food" we made the quite small allowance of $10 per week, or $520.

With these charge-offs on account of Shelter, Food, Fuel, etc., compiled, we summed up and found that the total reached $1,198, or nearly 73% of Miss J.'s income! Thereafter, with only the most reasonable allowances for Clothing, Medical, Educational and Incidental expenses it was impossible to establish a surplus for her, not to speak of providing for (1) Insurance, (2) Service, or (3) Recreation and Amusement! We could well appreciate Miss J.'s own perplexity, expressed in that part of her letter which read:

"I am living in my own house, but the managing to make income and outgo anywhere near balance is most perplexing!"

Of course, there was only one way out for us, and after some hesitancy resulting from our unwillingness to offend, we finally took it. We said, in part:

"We do not wish to appear presumptuous, but you will, perhaps, permit us to note that if you boarded at $15 per week, you could save approximately $418 of the sum noted above. Of this, $300 could go into Insurance and the remainder be available for Savings, Recreation, etc."

What do others think?

From another lady came a problem which, perhaps, is not a problem at all.

This lady has over $30,000 invested in securities which are yielding her an income of $960 a year. She faces the prospect of the early passing of a dear relative who has heretofore provided her with a home. It is pretty certain that, following this event, Miss D. will have to revise her living standards, at least to the point of adopting and living up to a personal budget. She sought such a budget from us.

Our preliminary reply to this inquiry may be of interest to others. Here it is:

"We have carefully read your letter of May 18th and would like to be of service to you.

"Before submitting a budget to cover your case, we believe that we should suggest some changes in your investment holdings. On a total invested principal of over $30,000 you should receive an income, under present conditions, of close to $1,800 (6%) and this without sacrifice of safety. From your statement, however, it appears that you are receiving less than $1,000 income—or scarcely 3%.

"We would suggest that you supply us with a list of your present investment holdings, naming, if possible, the price at which purchased, the amount held, etc. Also, if you have any "fixed" expenses, as for insurance, etc., it would be well to itemize them. Immediately upon receipt of this information, we would endeavor to supply you with the suggestions you desire."

We are hoping that Miss D. will supply the information asked. If she does, we believe we can be of real assistance to her. And that, of course, is what we're here for.

In the outside column, we reproduce the actual Expense Account of an individual reader. The reader has an income of $8,000 a year, no dependents other than his wife and lives in a large eastern city. The expense account was submitted for criticism but there's not much that can be criticised in it. It is interesting to note the Savings allowance (which includes Insurance), equivalent to almost 25% of the total income. This percentage is a pretty sure sign of sound living.

B. Y. F. I's. Recommendation Page

A Regular Feature Designed for Its Usefulness to Small Investors

"The foundation of Financial Independence is the first $100 properly invested"

THAT a sizeable cross-section of the investing public shared BYFI's views of the securities recommended for investment here in previous issues has been indicated by subsequent market actions.

The first recommendation, made here two issues ago, was the Collateral Trust 5s of the American Water Works & Electric Corporation. At the time recommended, this bond was being dealt in at 87. Since then, as everyone knows, American Water Works securities have been in particularly heavy demand, and just now the 5% bonds are selling nearly 3 points higher than when recommended here.

These bonds, by the way (and as indicated in the accompanying table), are available in $100-form. What is more, they happen to be among the Baby Bonds dealt in by the bond house described in these columns some months ago by Ralph Rushmore—a house which, because it specializes in Baby Bonds and does the bulk of the Baby bond business of The Street, is able to supply particularly efficient service in the purchase of such issues. It may be of interest to note that, when these Water Works 5s were selling on the exchange at 87½, BYFI had occasion to communicate with the bond house referred to and ask for the prevailing "market" on the bonds in "baby" form. The quotation given was 87 bid, 88 asked. Thus, this house quoted the $100-market at a minimum of only ½-point away from the actual market price for $1,000-issues, thereby giving additional justification to its being classed here as an organization that gives small investors a square deal.

The A. T. & T. Suggestion

The American Telephone & Telegraph recommendation, made at 125, finds the stock now selling at close to 127.

Investors interested in this recommendation should not lose sight of the facts brought out in our June 7th issue relating to the partial payment facilities offered by A. T. & T. in connection with its stock.

For BYFI, which is inclined to go far in supporting any agency that carries on constructive work on behalf of small investors, it would be easy to become over-enthusiastic over this partial payment plan of A. T. & T.'s. We consider it a case where one of the fairest of all instalment-buying plans is combined with one of the most desirable of public utility common stocks. Under the circumstances, the temptation toward overstatement is rather considerable.

Of course, nothing could be further from BYFI's ideas than to indulge in overstatement of any sort. The chief effort here is to make conservative suggestions founded on a well-balanced consideration of all the facts.

Let us content ourselves in this issue, then, with suggesting that any income builder not already familiar with it make it his own personal business to investigate the A. T. & T. plan in his own, personal way, securing, if possible, expert advice from other quarters as to the merits of the plan. That would be the best way to test the validity and soundness of the views expressed here.

No Speculators Wanted

While we are on the subject of our own purposes and ideas, as conveyed on this page, BYFI has another thought it would like to lodge. That is, that readers should not regard the recommendations offered here as intended to be profit-making or speculative recommendations in the slightest sense. Thus, the fact that the two recommendations so far made have, actually, put a small principal-profit within the grasp of those acting upon them does not, in itself, show that we have accomplished anything. The price at which these securities were selling when recommended was considered only in relation to (1) its availability to men and women of comparatively small means and (2) the income-yield which that price, in terms of the interest or dividend return, makes possible.

In other words, BYFI's recommendations are *income* recommendations, pure and simple. Subsequent price changes, whether upwards or downwards, are of interest to us only so far as they reflect current opinion of the issues singled out here. BYFI is trying to encourage sound investment, not speculation.

The table of recommendations will be increased by the addition of at least one new suggestion in the next issue.

BYFI'S RECOMMENDATIONS for SMALL INVESTORS

$100 Bonds	Recent Price	Yield to Maturity
American Water Works & Elec. Corp. coll. tr. 5s....	89½	6.30%

Common Stocks	Per Share Dividend Rate	Recent Price	Yield
American Telephone & Telegraph	$9	127	7.00%

NOTE.—This table of recommendations, a new and practical feature of BYFI, will grow in size as opportunities develop. The effort will be made to keep the table up to date, and Income Builders are invited to keep in touch with it. Security is the primary aim in making the selections, but income-yield, marketability and other ordinary investment factors are also considered.

Public Service Corporation of New Jersey

How Public Service of N. J.'s Plan of Readjustment Will Affect Security Holders

An Analysis of the Proposed Change in Capital Structure—Advantages to the Company

THOSE familiar with the affairs of the Public Service Corporation of New Jersey had long expected the management to attempt a readjustment of the capital structure somewhat along the lines recently proposed. The reason for such expectations was that the company's affairs obviously require a change in capitalization.

Its business has been developing very rapidly in the past few years and present needs for additional financing are quite large. Yet the existing financial set-up does not lend itself well to securing new money particularly by means of bond issues. It is too complicated. An examination of the last balance sheet shows that the Public Service Corporation has three direct bond issues, all of which are outstanding in the hands of the public or pledged practically in the entire amount authorized. This is in addition to the funded debt of operating subsidiaries and that of its lessor companies.

Thus, in making long-term borrowings under the present capital structure, the company would more or less be compelled to further complicate its set-up by the creation of still more bond issues. Under the plan of readjustment proposed, both the financial and operating affairs of the organization will be simplified. The plan permits the separation of traction operations from those of gas and electric subsidiaries which, in actual effect, means the separation of unprofitable from profitable operations. Efforts will eventually be made to merge all the stock-owned electric and gas companies into one organization and, while this is not an essential part of the plan, it will aid in the proper development of the system.

Provisions of the Plan

It is proposed that a new operating company be formed through which is to be merged the United Electric Company of New Jersey, the Public Service Electric Company and Public Service Gas Company, operating units of the parent organization. The new company is to be known as the Public Service Electric and Gas Company, and all of its common stock will be owned by the Public Service Corporation. It will assume underlying divisional bonds and miscellaneous obligations totaling 21.7 million dollars. It will have a bond issue and a preferred stock issue that will allow future financing of the electric and gas divisions of the business to be undertaken without complication of capital structure.

The accompanying table gives the reader some idea of just what is proposed to be done in the way of simplifying the financial set-up of the parent organization. This part of the Plan may be summed up as follows:

1. The Secured Gold 7s of 1941, which are now outstanding in the amount of 9.5 millions and secured by deposit of 14 millions of Gen. Mtge. 5s of 1959, are to be redeemed and the bonds used as collateral are to be cancelled.
2. The General Mortgage 5s of 1959, which are outstanding in the hands of the public in the amount of 31.8 millions, will be exchanged for a like amount of 1st & Ref. 5s of the new company.
3. The Perpetual 6% Interest Bearing Certificates of which there are 19.2 mil-

(Please turn to page 300)

The Proposed Change in Capital Structure of Public Service Corp. of New Jersey

NOTE: The essential provisions of the plan of readjustment call for a new operating company, but the Public Service Corporation of New Jersey will remain as the parent organization of the system. No changes therefore are proposed in its various stock issues, and the stock issues of the new operating company are not to be offered to the public.

PUBLIC SERVICE OF NEW JERSEY (Parent Company)

Funded debt:	Amount
Secured Gold 7s of 1941	$9,500,000
(To be redeemed at 107½)	
Gen. Mtge. 5s of 1959	31,859,000
(To be exchanged — see new operating company's 1st & ref. 5s)	
Perpetual 6% certificates	19,220,000
Stock issues:	
Pref. (8% cum., $100 par)	21,508,000
Pref. (7% cum., $100 par)	6,934,000
Common (no par value)	700,000 shs.*

PUBLIC SERVICE ELEC. & GAS COMPANY (New Operating Company)

Funded debt:	Amount
Divisional Underlying Bonds	$19,331,000
Other Misc. Obligations	2,387,000
1st & Ref. 5½s of 1959	31,859,000
(To be issued in exchange for Gen. Mtge. 5s of P. S. C. of N. J.)	
Stock issues:	
Pref. (7%, $100 par)	20,000,000
(To be deposited as security for perpetual cert. of P. S. C. of N. J.)	
Common (no par value)	64,250,000
(All to be owned by P. S. C. of N. J.)	

* Does not include 100,000 shares on which options to subscribe are outstanding but do not expire until May 1st, 1925.

Petroleum

The General Asphalt Co.

General Asphalt Selling Ex-Romance

A Manufacturing Not an Oil Proposition—Investment and Speculative Status of Common

GENERAL ASPHALT selling plus romance and General Asphalt selling ex-romance are two distinct propositions. It is instructive, perhaps doleful in many instances, to look back at the high price of 160 made for the common stock in 1919 and realize, in the calm light of retrospect, that there was never anything in the company's affairs to warrant such a fancy figure.

Last year the company's net profits were 82% of the net for 1919, yet the common stock at its highest in 1923 was 106 points below the 1919 high. Thus, in the market as well as elsewhere in this world, anticipation usually far outstrips realization. That the record price of General Asphalt was due to market manipulation is self-evident, of course, but such manipulation would have been impossible if there had not been enough gullible followers to buy the stock on the way up.

Now General Asphalt is back to earth. It is rightfully regarded as an industrial manufacturing company with a side issue of oil prospects which may or may not mean a great deal to the company. The fact that the company's earnings had little relation to the artificially boosted common stock prices appears from the following:

	Net Profit	Common Stock H.	Common Stock L.
1917	*$1,019,350	29¾	14⅞
1918	1,361,016	45¼	14¼
1919	1,312,397	160	39
1920	1,465,388	130	32½
1921	†740,942	72¾	40
1922	611,127	73⅛	37¾
1923	1,078,106	54	23
1924	......	43¾	31⅛

* Eleven months ended December 21.
† Deficit.

General Asphalt is capitalized for $7,885,400 5% cumulative preferred stock, $7,416,000 outstanding, par $100 and $27,114,600 common stock, par $100 of which $19,876,000 is outstanding. The company holds $3,708,000 par value of common stock in its treasury against the conversion of the preferred stock. The latter is convertible into common at the option of the holder in the ratio of $150 in common (consisting of new common created in lieu of the preferred stock which is cancelled and $50 from the stock deposited with trustees for this purpose) for each $100 of preferred stock. It would appear that General Asphalt's common capitalization is sufficiently liberal since the company has averaged less than 2% annually on the outstanding common for ten years.

This company was incorporated in 1903 under the New Jersey laws as successor to the National Asphalt Co. which was incorporated in 1900 and in the following year went into the hands of a receiver as did the Asphalt Co. of America controlled by National Asphalt. General Asphalt's interest in its various companies is shown in the accompanying tabulation.

The Barber Asphalt Co. owns the largest plant in the world, located at Maurer, N. J., for refining asphalt and manufacturing asphaltic products. This plant, in conjunction with a roofing plant and an oil refinery, occupies 228 acres. At Mastic, Ill., the company has a plant for the manufacture of prepared roofings, etc., which covers 50 acres. There is a large machine and boiler shop at Buffalo, N. Y., where asphalt-paving machinery, road rollers, etc., are manufactured.

The New Trinidad Lake Asphalt Co., Ltd., owns the concession from the English Government to the asphalt lake in the Island of Trinidad. This concession expires in 1930 and gives the company exclusive rights to dig and ship asphalt on payment of royalty and duty of $1.60 per ton.

The Petroleum Development Co., Ltd., has a 21-year lease from the government of Trinidad, dated August 24, 1915, on 2,000 acres of oil-bearing lands situated 3½ miles south of Brighton, Trinidad.

The foregoing sums in brief several of the chief properties of the company.

Under the royalty agreement oil contract made with the Royal Dutch-Shell Co. last year General Asphalt received 479,444 bbls. of Venezuela crude. Most of this oil was used by General Asphalt in its business and the remainder was sold in the open market. It was the hope of striking developments in the company's Venezuela oil holdings which furnished the ammunition for putting the stock to unwarranted levels several years ago. The company has very wisely decided to play the royalty game in connection with its oil lands. It is expected that the current year will show further increases in the deliveries of royalty oil.

Regarding General Asphalt as strictly a manufacturing corporation, the common stock on the company's record does not appear particularly inviting at between 35 and 40 per share. The common has never paid a dividend and earnings for the last decade have not averaged 2% per annum on the junior issue. From a strict investment viewpoint, then, the common leaves much to be desired. Speculatively speaking, it is interesting. The oil angle to General Asphalt's business presents attractive possibilities and the company has always had market sponsors who know how to make the most of such possibilities. **In a buying market, then, General Asphalt common is worth considering as a speculation.**

SUBSIDIARIES OF GENERAL ASPHALT

Company	Incorporated		Capitalization Authorized	Capitalization Issued	Par	Owned by G. A.
New Trinidad Lake Asphalt Co., Ltd.	G't Britain	1907	£500,000	£500,000	£10	£500,000
Barber Asphalt Co.	West Va.	1883	$7,000,000	$7,000,000	$100	$7,000,000
Bermudez Co.	N. J.	1910	100,000	100,000	100	†100,000
N. Y. & Bermudez Co.	N. Y.	1885	1,000,000	1,000,000	100	‡999,900
Uintah Ry. Co.	Col.	1903	2,250,000	2,250,000	100	2,250,000
Gilson Asphaltum Co.	N. J.	1900	100,000	100,000	100	100,000
Trinid'd Lake Pet. Co., Ltd.	T. & T.*	1910	£200,000	£200,000	£20	£200,000
Petr. Devel. Co., Ltd.	T. & T.*	1910	20,000	20,000	20	20,000
Uintah Toll Road Co.	N. J.	1906	$25,000	$25,000	$100	$25,000

* Trinidad and Tobago. ‡ Owned by Barber Asphalt Co. † Owned by New Trinidad L. A. Co., Ltd.

Trade Tendencies

Bottom Reached in Business Slump?

Prices Irregularly Downward—Employment Less — Demand Still Declining

STEEL

No Improvement

FROM the standpoint of productive activities, conditions in the iron and steel industry are beginning to resemble those prevailing during the acute depression of 1921. In some districts, independent producers are operating plants at an average rate as low as 25% while the prevailing pace of the mills, taken as a whole, is probably well under 50%. The drop in pig-iron output for May was without precedent in recent years. From a daily average of 107,781 tons in April, production fell to 84,358 tons in the past month a decrease of 23,243 tons a day. This compares with a decline of 22,817 tons in October, 1919, when the industry was thrown into confusion by the labor troubles.

Production has, in fact, dropped so low in some cases that it is probably running under consumption, small though the latter may be. Price concessions have failed utterly to bring out buyers. Hence producers are becoming reconciled to the situation and are less disposed to press reductions, although there is yet no indication that real stability is in view.

In the Connellsville district the independent coke operators have succeeded in putting wage reductions into effect, but this move appears to have been purely local. The larger steel companies have practically committed themselves to maintenance of current rates. The conference between midddle western sheet and tin-plate mill owners and representatives of the Union, held in Atlantic City June 4, has resulted in perpetuation of the 1923-1924 wage scale.

It is evident that the steel industry is well embarked upon a period of lean earnings which is not likely to terminate until the season of normal summer slack has come to an end, at least.

The Trend of Major Industries

STEEL—Steel mill activity sharply curtailed. No suggestion of early change for better.

METALS—Demand for non-ferrous metals slow, prices unsteady. Stocks of copper increasing.

OIL—Stocks of crude oil and gasoline continue to reach new high levels. Sporadic price cutting. Outlook uncertain.

TEXTILES—Depression marked. Cotton goods producers still revising operating schedules downward.

LEATHER—Shoe manufacturers operating plants on part time. Retail buying unsatisfactory. Demand for leather light.

PAPER—Newsprint production slightly in excess of last year. Other papers suffering from current business depression.

MOTORS—Isolated price advances. Manufacturers endeavoring to offset high production costs. Output declining rapidly.

WHEAT—Backward season and reduced acreage cause of cut in estimated yield. Outlook for further price recovery.

COTTON—Crop in need of warmer weather. Market largely dominated by crop developments causing erratic price movement.

PUBLIC UTILITIES—Declining commodity prices help. Rates well stabilized; earnings should remain favorable.

BUILDING—Activities continue downward trend. General tendency on part of builders to become increasingly cautious.

CHEMICALS—Demand slack with prices manifesting inclination to reach lower levels.

SUMMARY—Although contraction in manufacturing activities, in instances such as steel, has been exceedingly sharp, the tendency is toward still further readjustment. Unemployment increasing in consequence. Some efforts to deflate wages because of high costs. May later become general and lead to labor disturbances.

COMMODITIES

(See Footnote for Grades and Unit of Measure)

	1924 High	1924 Low	*Last
Steel (1)...(...	$40.00	$38.00	$38.00
Pig Iron .(2)...	23.00	20.00	20.00
Copper (3).....	0.14	0.12½	0.12⅞
Petroleum (4)..	4.50	3.00	4.25
Coal (5)........	1.88	1.88	1.88
Cotton (6).......	0.35¼	0.27⅛	0.29½
Wheat (7).......	1.14¼	1.01	1.08
Corn (8)........	0.80	0.74	0.79
Hogs (9)........	0.70⅝	0.07⅛	0.07⅛
Steers (10).....	0.10¼	0.09	0.10
Coffee (11).....	0.16	0.10¾	0.14⅛
Rubber (12)....	0.27	0.17⅝	0.19½
Wool (13)......	0.56	0.52	0.52
Tobacco (14)...	0.24	0.22	0.22
Sugar (15)......	0.07½	0.04¾	0.04¾
Sugar (16)......	0.09	0.06⅛	0.06⅛
Paper (17)......	0.04	0.03¾	0.03¾

* June 10.

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Light, Chicago, $ per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, — per lb.; (15) Raw Cubas 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

RUBBER

Suffers Slump

After a month or so of comparative stability, crude rubber prices have again broken out on the down side. The latest movement has carried the market to the lowest level in nearly two years. The primary impulse back of the recent break is, doubtless, the practical collapse of the Stevenson Plan which British rubber growers adopted for the purpose of controlling production. Refusal of Dutch rubber interests to join in this movement when it was originally adopted and, more recently, failure of the British Government to lend assistance have contributed materially to its inglorious end.

Coincident with the slump in motor-car production, tire manufacturers are curtailing operating schedules. Conditions in the industry show a tendency to grow more uncertain as a result of declining demand, low selling prices and confusion with respect to future development of the balloon tire. Thus there seems little encouragement for the rubber producers in the trend of tire-making events while manufacturers of finished materials, on the other hand, are likely to have trouble with inventories of the raw material, purchased before the break.

SERVICE SECTION

ANSWERS TO INQUIRIES

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CHILE-MAGMA

Which is the best purchase?

I have some Anaconda Copper and note your remarks in an answer to an inquiry in the last issue of The Magazine of Wall Street. You spoke very well of Chile and Magma Copper, but which would you prefer and why? —G. S. F., South Bend, Ind.

We consider both Chile Copper and Magma Copper stocks to have attractive long pull possibilities. To decide which stock is the best purchase for you at the present time depends largely on your personal requirements. Chile Copper is now paying dividends at the rate of $2.50 per share per annum and as it is one of the lowest cost producers and is in very strong financial condition, should be able to maintain this dividend rate even under present unfavorable conditions in the copper market. If you desire to purchase a stock, therefore, that will give you an immediate return on your investment your selection should unquestionably be Chile Copper rather than Magma, for the latter company is paying nothing and it is possible that dividends may be withheld for some time. On the other hand, if you are less interested in immediate return on your investment and the main consideration is appreciation in the value of the principal over a period of years, it is our opinion that Magma Copper would be the best choice. Magma Copper has made extensive improvements on its property and it is now one of the lowest cost producers of copper. Large reserves of high grade ore have been blocked out and the company appears to have a very bright future ahead of it. Magma with only 240,000 shares has possibilities of developing a considerably larger earning power for its stock than in the case of Chile Copper which now has over 4 million shares outstanding.

CROWN RESERVE MINING

Outlook Uncertain

I see that the price of silver is gradually advancing and some of the Cobalt properties appear to be moving upward. I bought 800 shares of Crown Reserve several years ago, at around $1.50 a share. What would you advise?—H. S. B., Detroit, Mich.

The advance in the price of silver may or may not prove advantageous to holders of Crown Reserve Mining stock, for the important factor in this situation is the success the company will meet in development work on its property. The old mines of the company which formerly yielded a substantial profit have been apparently worked out and success of the company in the future will depend on what ore is uncovered in the new properties. In other words, the stock at the present time cannot be rated higher than a mining gamble. In February, the authorized capital stock was increased from $2 million to $4 million for the purpose of selling additional stock to provide funds to carry on development work and erect a mill. You should not continue to hold the stock unless you are willing to incur a very high degree of risk. The stock is not without possibilities as the new properties of the company show indications of containing pay ore.

AMERICAN BOSCH MAGNETO

Suit by Former Owners

I notice American Bosch Magneto was mentioned in the Senatorial Investigation. I hold some of this stock. I am not particularly interested in the present market situation, but would like to know whether there is anything in the general situation, which would make it advisable for me to dispose of my holdings. It would mean a substantial loss, as I bought the stock at 58.—G. W. M., New York City.

American Bosch Magneto was mentioned in the Senatorial investigation in connection with the sale of properties now owned by this company, by the Alien Property Custodian. The Bosch Magneto properties were formerly owned by German interests and taken out of their hands during the war period. The sale of these properties has been the subject of suit by the former owners and it is still an open question just what effect these suits may ultimately have on present stockholders' interest. American Bosch Magneto for the quarter ended March 31st, 1924, earned $1.53 a share on its stock, but of course the outlook for the automobile accessory industry is not particularly promising at the present time. Under the circumstances, we deem it advisable for you to switch into some other security and suggest International Combustion Engineering paying $2 a share per annum and selling around 22. This company manufactures fuel-saving devices and appears to have a growing business.

BETHLEHEM STEEL CORPORATION

Dividend Payments Uncertain

I bought 100 Bethlehem Steel "B" last year at 70. Will the new financing affect my present holdings? Shall I sell or increase my holdings and thereby average down the cost? If the latter, to what figure should I average down?—L. R. G., Norwalk, Conn.

Bethlehem Steel's recent sale of 30 million 6% bonds was for the purpose of raising funds to pay for improvements and additions to the Lackawanna, Midvale and Cambria plants acquired by the Corporation in the past two years. While this financing will enable Bethlehem to maintain its present strong current cash position still it hardly warrants the opinion that the dividend on the common

SPECIAL REPORT DEPARTMENT

WE have had so many requests for special reports on lists of securities and for complete analytical reports on individual stocks and bonds that we have organized a Special Report Department to handle this work. Charges will vary with the amount of research work necessary but in all cases estimates will be submitted. A complete report on any stock or bond listed on the New York Stock Exchange will be supplied for $25. In analyzing lists of securities definite recommendations are made and desirable switches suggested. This new service does not in any way interfere with the present free service supplied by the Inquiry Department to subscribers which entitles them to a brief report on any three securities.

stock will be maintained, unless earned, for Bethlehem now has a very extensive plant system, and is not likely to dip into surplus to maintain dividends. In 1923, the dividend on the common was only earned with a small margin and as business in the steel industry has fallen off rapidly since April, Bethlehem is probably not earning the common dividend at the present time. We consider the continuance of this dividend as doubtful and do not deem it advisable to average in the stock. From a very long pull viewpoint we are favorably disposed toward Bethlehem Steel common but in the meantime, there may be unfavorable dividend action which would temporarily cause lower prices. We hesitate to suggest that you accept the large loss the commitment shows you, but, nevertheless, we feel that you would be better off in a stock like Tobacco Products common paying $6 a share per annum and selling around 58. This would give you nearly as good a return on your investment and we consider the dividend safer.

ARKANSAS NATURAL GAS

Earnings Improved This Year

Would you advise me to retain 1000 shares of Arkansas Natural Gas in which I have a loss of about $1,500.—F. X. T., Seattle, Wash.

Arkansas Natural Gas has been showing improved earnings this year. For the four months ended April 30th, net earnings were $977,911 before deducting for depreciation and depletion, an increase of $228,538 over the same period in 1923. For the year ended December 31st, 1923, net earnings before depreciation and depletion were $671,263. While the stock is decidedly speculative the company owns promising oil properties, and we should say there is a fair chance of stockholders ultimately receiving higher prices for the stock. For so speculative an issue, however, one thousand shares appears a rather large holding and it might be well for you to reduce this commitment somewhat.

AMERICAN TYPE FOUNDERS

Worth Holding

What is the outlook for American Type Founders common? I seldom see a quotation and only occasionally do I get any definite idea of the company's business position and outlook. The stock returns me a good yield, but at present price I think there is no incentive for me to sell unless the trend of the stock appears to be downward.—M. B. S., Louisville, Ky.

American Type Founders common stock is traded in over the counter and is now selling at a price two or three points under par. The last report of the company covers the twelve months ended August 31st, 1923, during which period $19.82 a share was earned on the common stock. In January of the current year, the company offered stockholders the right to subscribe to 2 million additional common at par, increasing the outstanding common to 6 million. A statement issued by the company at that time was to the effect that the sale of this new stock would furnish needed additional working capital and should enable the company to pay out of its current earnings a common dividend at a rate moderately in excess of the present 7%. We consider the stock a good business man's investment and see no reason why you should dispose of it.

AMERICAN LOCOMOTIVE CO.

Large Cash Surplus

Would it be wise to switch 200 shares of American Locomotive into 100 Baldwin? I notice the President of Baldwin says that his company will be operating at 100% of capacity before the end of this year. But I know that a large percentage of their orders are for foreign countries, which to me means that the Baldwin organization is taking a sporting chance on an early favorable solution of the European and Mexican problems. I already own 50 shares of Baldwin.—L. B. M., Albany.

We do not advise you to switch your 200 shares of American Locomotive into Baldwin. The American Locomotive Co. has built up a large surplus and this is represented by cash and liberty bonds. Baldwin, on the other hand, has many millions tied up in foreign securities which cannot immediately be realized on. We consider Baldwin to have good speculative possibilities at present levels and you will probably be able to get a higher price for your 50 shares. It is good policy, however, to have a large percentage of your holdings in sounder securities, such as American Locomotive.

AMERICAN GAS & ELECTRIC CO.

A Switch Suggested

I have 100 shares of American Gas & Electric common stock, for which I paid $51 a share. I have a very good profit, but do not know whether to take it or not. May I ask your advice?—C. T. P., Kansas City.

American Gas & Electric Company in 1923 earned about $5.50 a share on the 781,000 shares of common stock now outstanding. Earnings so far this year have shown a substantial increase. For the month of April surplus after charges and preferred dividends was $550,404 comparing with $280,451 in April last year. At present levels of 66, we feel that the stock has discounted the improvement in earnings to a considerable degree and our suggestion is that you take your profit at around this price and purchase instead Philadelphia Company common stock paying $4 a share per annum and selling around 47. Philadelphia Company earned $7.50 a share on its stock in 1923.

(Please turn to page 296)

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HINTS TO INVESTORS

THERE is now a wide diversity of opinion in regard to the immediate outlook for the oil industry. Those pessimistic on the situation point to the fact that gasoline stocks are at the highest level in the history of the industry and that a number of refineries have shut down while many have curtailed their runs of crude oil. It is also pointed out that, although no new large pools have been recently brought in, production of crude oil has been showing an increasing tendency, a result of greater activity in the old pools. On the other hand, the optimists say that large stocks are only a temporary condition, that the consumption of gasoline is 20% greater than last year and that, as it will continue through the summer months, the present large stocks are nothing to worry about. As we view the situation, 1924 will by no means be a boom year in the oil industry, but it should turn out to be a fair one, and the stronger companies can be expected to make a reasonably good showing.

* * *

The recent ten-point advance in International Telephone and Telegraph stock to around 76 reflects the expectation of an early increase in the dividend rate from 6 to 7%. This company, whose stock has frequently been recommended as an attractive long-pull holding by the Inquiry Department, controls the telephone industry in Cuba and Porto Rico and plans to extend its operations to Latin-American countries and perhaps ultimately to Europe. While the stock has probably advanced sufficiently for the time being it is still attractive for long-pull investment.

* * *

Pierce-Arrow will bring out a moderate priced car this summer. With Pierce-Arrow prestige behind it, this new car has an excellent chance of being a commercial success. The securities of Pierce-Arrow must be regarded as decidedly speculative as the financial condition of the company is not strong. However, holders of these stocks who have losses at present prices and can afford to retain a speculative issue, had best hold on as the new low-priced car may prove to be a development of the utmost importance.

IN THE BANKING WORLD

Conducted by
H. Parker Willis

Will the Banks Pay the Bonus?

How They May Be Called Upon for Funds—Set Policy Needed

IT is quite evident that the loan feature attached to the Soldiers' Bonus act which has just passed is of great significance to the banks, as they will have to carry the load when the veterans commence to borrow on their certificates. As this article points out, it will take a great deal of courage and foresight on the part of the banks if they are to avoid the attending banking evils which are likely to accompany the expected flood of loans to recipients of the Bonus.

ALL through the bonus struggle, a leading question which appealed to a good many legislative and other observers most seriously was whether or not the bonus would really be paid by the Treasury, or whether it would in some way be transferred, in practical effect, to the banks. This question was another form of the same one which came up during the war in connection with the methods of financing then in vogue.

It will be remembered that at the outset of the contest, the choice was clearly offered between financing on the basis of taxation, or on that of inflation, and that the latter expedient was chosen, heavy taxation being deferred to the future and used as a means of paying for the enormous crop of Government obligations which had been put out. It is still near enough to the close of the war to permit almost anyone to recall the effect of this policy upon the banks as well as upon the public. Enormous bank loans, made for the purpose of helping buyers of liberty bonds, resulted in inflated buying power, "boosting" of prices, and subsequently the crash of 1920-21. This crash, incidentally, caused tremendous losses to banks all over the country; and since then has been one continuing cause of the epidemic of bank failures which has ensued.

Will the Bonus Cause Inflation?

Will this experience be repeated as a result of the bonus? The question is of vital importance to the banks, and particularly to the smaller banks of the country, which are likely to be asked to carry the bulk of the bonus load. The answer to it depends upon the way in which the banks view their duty and the possibilities of profit held forth by the Act in question. According as they interpret these, they will presumably act in connection with bonus loans that may be offered to them. According as they act with regard to these loans will their condition be affected by the bonus measure.

Under the provisions of the law in question as passed by Congress over the President's veto on May 17, "Veterans" will be entitled to two classes of payment. The first class relates to cash payments which are to be made to those veterans whose "adjusted service credit" (the amount determined after consideration of his length of service and other matters) does not exceed $50. With this form of bonus payment the banks need not concern themselves, any more than other citizens, since the Treasury will have to provide the funds needed from taxation or borrowing and make payment out of the Treasury direct.

The second kind of payment comes to those with a credit of over $50. Such credits are to be based on $1 per day for home service and $1.25 per day for oversea service and represented by "adjusted service certificates" whose face value is to be "equal to the amount in dollars of twenty year endowment insurance that the amount of" the veterans' "adjusted service credit increased by 25 percentum would purchase, at his age on his birthday nearest the date of the certificate, if applied as a net single premium, calculated in accordance with accepted actuarial principles and based upon the American experience table of mortality and interest at 4 percentum per annum compounded annually." After the veteran has received this insurance certificate, he is granted "certain loan privileges." It is these in which the banks are chiefly interested.

How Banks May Loan

According to the bonus law, "a loan may be made to a veteran upon his adjusted service certificate only in accordance with the provisions of this section." The law then goes on to provide that any national bank or incorporated state bank or trust company may "after the expiration of two years after the date of the certificate" lend to any veteran "upon his promissory note secured by his adjusted

THE LOAN VALUE OF THE BONUS

Year	Value of sinking fund end of year	Loan value, 90 per cent	Year	Value of sinking fund end of year	Loan value, 90 per cent
3	$97.71	$87.93	12	$485.01	$436.50
4	133.33	119.99	13	538.88	484.90
5	170.58	153.52	14	595.33	535.84
6	209.57	188.61	15	654.66	589.19
7	250.36	225.32	16	716.92	645.22
8	293.36	263.75	17	782.33	704.09
9	337.76	303.98	18	851.14	766.02
10	384.58	346.12	19	923.59	831.23
11	433.62	390.25	20	1,000.00	900.00

While the banks are more or less well protected so far as recovery of funds loaned on Bonus certificates is concerned, this will not in itself prevent the danger of their becoming loaded up with bonus paper and it might compel the assistance of the Federal Reserve banks in carrying the loans at least to maturity.

service certificate—any amount not in excess of the loan basis—of the certificate." This loan basis is to be an amount not in excess of 90 percentum of the "reserve value of the certificate on the last day of the current certificate year." The reserve value of a certificate on the last day of any certificate year is to be the full reserve required on such certificate based on an annual level net premium for twenty years.

To make all this plain, suppose a veteran to be entitled to a bonus credit of, say, $500. This bonus credit is estimated upon the principles already explained and would ordinarily give rise to an insurance policy of about $1,260.00. This certificate, considering the various red-tape processes that must be complied with in issuing it, is not likely to get to the hands of the veterans much before the end of 1924. Two years from the end of 1924 would be about the beginning of 1927. From and after that date, a bank could loan presumably 90% of the reserve value of the policy. Just here occurs a difficulty. Congress has not made it clear whether this reserve value would be taken as 90% of the amount actually paid in at the start, an interpretation which would mean that if the loan were immediately obtained the veteran could get 90% of $625, or $562.50, or whether he could only obtain 90% of the amount of the reserve value computed on the theory that the policy is to be treated as if the premium were paid annually.

The latter is the view of the majority of members of the Senate Committee which compiled the accompanying table designed to show for each year after the first two years (during which it was supposed that no loans would be made) the current loan value of the policy. If this view should turn out to be correct the maximum amount which could be loaned would not be reached until toward the end of the twenty-year period.

The language of the act does not indicate any such interpretation and presumably regards the reserve value at the outset as the amount which has theoretically been paid in in the form of the veterans' adjusted service pay.

Whatever the amount might be as determined under the language of the law any such loan, when made for the amount so determined, would be subject to rediscount at a federal reserve bank. Under the provision of the law, the rate of interest to be charged by the original lending bank must not be more than 2% above the ninety day rate in vogue at the local federal reserve bank. That rate is now generally 4% or 4½%, so that the rate to be charged on bonus loans would be 6% to 6½% at the present time, the local bank thus making 2% per annum when it rediscounted the paper with the reserve bank. The latter would be expressly required to discount the paper at the same rate charged by it for ninety day notes drawn for commercial purposes. Moreover, the federal reserve bank is not called upon in any event to rediscount the paper unles its maturity falls within nine months. In the event of non-payment at maturity such a note would ordinarily be charged back to the member bank which had rediscounted it and this presumably would be done with the bonus paper as with all other. In that event the bank which made the original loan would have to collect it.

Ordinarily it would be of no use to try to collect bonus loans from veterans who had obtained them and had then failed to pay at maturity. Accordingly, the Act makes special provision for collection. In the event that such paper is not paid, the bank may, at any time after the maturity of the loan but not earlier than six months after the loan was made, present such paper to the director of the Veterans' Bureau. This director may thereupon accept the certificate and note, cancel the note and pay the bank the principal, and interest at the rate fixed in the note and running up to the time the bank itself is paid. The veteran then may redeem the certificate from the director by reimbursing him, but in the event he does not so redeem, the director at the time of his death deducts from the face value of the certificate the advance made plus compound interest at 6 per cent, paying the remainder to his heirs. In the event that the loan has been made at a time such that the certificate matures during the life of the veteran, and while the latter still owes the bank, the director of the Veterans' Bureau is required to pay off the bank and give the balance to the veteran. In order to make any collection from the director, the bank is obliged to make affidavit that it has not collected, not attempted to collect any additional compensation other than interest. In this whole matter it is worthy of note that the director of the Veterans' Bureau "may in his discretion," but is not obliged to, settle with the bank if the veteran is still living and the insurance has not expired.

If the banks are placed in a position where they have to carry from two to four billions of bonus paper in their portfolios, the results might lead to partial inflation of the type witnessed during the war.

Need for Caution by Banks

It is evident that this whole proposition enforces a need for great caution on the part of banks. They would not be wise to make bonus loans at all if they felt reasonably certain that their only means of collection was from the Director of the Veterans' Bureau, unless the latter should unequivocally make known rulings indicating his intent to pay off the loans when thus received.

This is a matter which will have to be absolutely determined at a very early date, if the veterans are to get any advances from the banks that they would not in practice be able to obtain in any case. As a matter of fact, it is to be expected that just this assurance will be definitely given since without it the veterans would be cut off from getting much cash.

They are already seeking to get from Congress a more liberal cash basis with an option of direct choice between insurance or cash at the Treasury. This they may or may not obtain, but it may be confidently predicted that they will get an arrangement whereby they can borrow, with the assurance on the part of the bank that the note will be taken up at maturity, out of government funds, if necessary.

Assuming that such assurance is given, it is clear that the banks are more or less well protected, so far as recovery of funds is concerned. This will not prevent them from the danger of becoming overloaded with bonus paper which they are obliged to carry, or to get the aid of reserve banks in carrying at least to maturity. The actual amount of such certificates likely to be issued probably cannot be accurately estimated since official estimates conflict, but may be assumed to be somewhere over $2,000,000,000 and perhaps as much as $4,000,000,000, depending on number issued, age of veterans and

(*Please turn to page* 310)

While the Bonus Act provides that loans may be made to veterans in accordance with the provision of the law after the expiration of two years, it does not prohibit loans before that time. "There is apparently nothing to prevent a bank from making loans as soon as it chose after the certificate was issued—"

How Will Low Money Rates Affect Bank Earnings?

The Increase in Expenses and the Logical Dividend Policy that Banks Should Adopt

THE unusually low level of money in recent markets has undoubtedly caused considerable anxiety on the part of bankers for some time past lest it should be difficult to maintain regular rates of earnings for the current year. The question how far earnings will really be effected by this situation is not as easy to answer as it may appear on the surface; although the state of things is one which has an important connection with the dividend and earnings outlook.

Returns for the year 1923 have been pretty carefully analyzed during the past month or two in various parts of the country with a view to reaching some conclusion as to the trend of bank earnings at the present moment. There seems to be little doubt that the trend is downward; and that, although 1923 was considered a prosperous year, it was at least a year in which the process of shrinkage was going on, certainly on the commercial side of banking. That process of shrinkage has undoubtedly continued during 1924 thus far, and the low rates for money prevailing at the present moment are likely to be an important factor in maintaining the tendencies already noted.

Returns for New England Banks

The figures furnished by the Comptroller of the Currency in his reports for the year 1923 for the national system show a reported earning during the year of 8.48% on capital and surplus. State banks did at least as well. This compares favorably with former years, until it is analyzed in connection with volume of business and other factors and with increasing overhead costs. One most careful intensive analysis of this sort has lately been completed by the Federal Reserve Bank of Boston for the member institutions in that district which number 423 in all. Computing their figures carefully, the bank shows that during 1923 the rate of interest earned averaged 5.6% on the loans and investments of all the member banks as compared with 5.4% in 1922, but the percentage of total expenses to gross earnings increased from 69% to 70%.

Taking the banks as a whole the gross earning for the year was 6%, while total expenses were 4.2% (as compared with aggregate loans and investment). The dividends paid were 0.8% and the actual net earnings 1.8%, nominally the same as in 1922, but subject to much heavier charge-offs. It is interesting, for example, to observe that as 1923 was a year of rising bond prices most of the losses charged off, amounting to 0.4% as against 0.1% in 1922, consisted of bad loans and discounts rather than of bonds and stocks and doubtful value.

A further interesting conclusion of the analysis is found in the fact that those banks which had the largest proportion of time deposits showed a consistently smaller percentage of net profit. The reasons assigned for this situation are found in the heavy burden involved in the payment of interest on a large volume of savings deposits and probably also in the tendency to increase the interest rate even on commercial deposits. Some of these conclusions have been very interestingly surveyed in the accompanying table for 1923.

Profits for 1924

The question how far the tendencies noted in the analyses that have been made for last year will continue to show themselves in 1924 is of very broad interest. There is no reason to think that local customers loans have altered materially in rate of return, and taking the banks of the country in the aggregate, the total volume of business done is probably about as great as it was a year ago.

For the reporting banks of the Federal Reserve System (member banks) the difference is only about $50,000,000 below that of a year ago so far as aggregate loans and discounts and investments are concerned. The banks, however, have been and are being obliged to make up through bond purchases and purchases of commercial paper the lack of loans and discounts. The reporting banks today have about $250,000,000 more securities than a year ago. That is to say they have found it necessary to carry more investments than they formerly did; and in so doing they are suffering both from the low rates of interest which prevails at the present time it being difficult to get good commercial paper that bears more than 4¼ or 4½%, while they are also suffering from the fact that with bonds at their present prices it is practically out of the question to average on bond investments a rate as good as that which was earned on their combined portfolio in 1923.

Of course, the question comes up how far the banks, taking the country as a whole, actually depend on commercial paper or bonds as the main source of their income. This can be answered from the Comptroller's report in a measure, the figures there given showing last year the national banks held about 25% of their total assets as investments in bonds, stocks and securities. If they are off on their earnings on this large volume during 1924 they must expect to pay correspondingly less dividends or to carry less to surplus and undivided profits than they did a year ago. In fact a good many city banks which are probably harder hit by the reduction in money rates than their country brethren are finding it difficult to maintain earnings at the level that has prevailed heretofore.

Another way to estimate the change in returns is to remember that in call loans running normally at about 1.5 to 2 billions going rates have been cut from

(*Please turn to page* 303)

How Earnings Varied in First Federal Reserve District (Boston)

—1923—

Percentages of:	Current Expenses to Gross Earnings	Net Earnings to Loans and Investments	Net Earnings to Combined Capital, Surplus and Deposits
423—All Member Banks in F. R. District I	*70.0%*	*1.8%*	*1.7%*
61—Banks with no time deposits	56.0%	2.4%	2.4%
119—Banks having time deposits under 26% of gross deposits	65.0%	2.0%	1.9%
103— " " " " 26%-50% of gross deposits	71.0%	1.7%	1.6%
101— " " " " 51%-75% of gross deposits	75.0%	1.6%	1.4%
39— " " " " over 75% of gross deposits	74.0%	1.6%	1.5%

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New York Stock Exchange

	Pre-War Period 1909-13		War Period 1914-18		Post-War Period 1919-1923		1924		Last Sale	Div'd $ Per
RAILS:	High	Low	High	Low	High	Low	High	Low	June 11	Share
Atchison	125⅜	90¼	111¼	75	108½	91¾	104	97⅛	103⅞	6
Do. Pfd.	106¼	96	102⅛	75	95½	72	90¼	86½	90¼	5
Atlantic Coast Line	148½	102½	126	79⅞	127	77	126	112	125	8
Baltimore & Ohio	122¼	90⅝	96	88¼	60¾	27⅝	60½	52⅝	56¼	5
Do. Pfd.	96	77¼	80	48¼	66¼	38½	59½	56¼	58½	4
Canadian Pacific	283	165	220⅛	126	170⅞	101	150⅞	142¾	146¾	10
Chesapeake & Ohio	92	51⅛	71	35⅝	79	46	80⅛	67¾	78⅞	4
Ches. & Ohio Pfd.	..	..	..	..	105⅝	96	106	99½	103½	6½
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	11¼	18⅛	11⅜	12½	..
Do. Pfd.	181	130½	143	62½	76	20⅝	30¼	21¼	23¼	..
Chicago & Northwestern	198½	123	136⅞	85	105	45⅞	54½	49¼	54¼	4
Chicago, R. I. & Pacific	..	..	45¾	16	50	19⅛	27⅞	21½	27⅜	..
Do. 7% Pfd.	..	..	94¾	44	105	64	83	76¼	81½	7
Do. 6% Pfd.	..	..	80	35¾	93¾	54	72⅝	65⅝	69¾	6
Delaware & Hudson	200	147½	159½	87	141½	83¼	120	104½	116	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	124	110¾	121½	6
Erie	61¼	33½	59½	18¾	22¾	7	28¼	20¾	27⅞	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	33	11⅛	35⅞	28⅜	34¼	..
Do. 2nd Pfd.	89⅛	19½	45⅝	13⅛	27⅝	7⅛	30⅞	25⅛	29⅞	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅝	50⅝	59¾	53¾	58⅞	5
Illinois Central	162⅛	102¾	115	85¾	117½	80⅞	105¼	100¼	104	7
Kansas City Southern	50¼	21⅛	35⅛	13½	28⅞	13	21⅜	17¾	20⅞	..
Do. Pfd.	75½	56	65½	40	59½	40	53⅝	51¼	53⅜	4
Lehigh Valley	121¼	62½	87⅛	50⅜	72	39¾	72⅜	39½	44½	3½
Louisville & Nashville	170	121	141⅞	103	155	84¾	95	87⅝	93	6
Mo., Kansas & Texas	51⅛	17½	24	3⅛	*19¾	*¾	13¼	10½	12⅞	..
Do. Pfd.	78¼	46	60	6½	*48¾	*2	37¾	29¼	37¾	..
Mo. Pacific	*77½	*21½	38½	19⅞	38⅞	8¼	17¼	9¾	17¼	..
Do. Pfd.	..	..	64⅞	37½	63¾	22¼	49⅜	29	49⅜	..
N. Y. Central	147¾	90⅜	114¼	62½	107¼	64⅛	106⅛	99⅛	103⅞	7
N. Y., Chicago & St. Louis	109¾	90	90¾	55	91½	23¾	81½	72½	81⅜	6
N. Y., N. H. & Hartford	174¾	65⅝	89	21½	40⅞	9⅝	21	14⅛	20¾	..
N. Y., Ont. & W.	55⅜	25⅛	35	17	30½	14¼	19⅞	16	16⅞	..
Norfolk & Western	119¼	84¼	147⅛	92⅝	125⅛	84¼	132½	102½	123½	8
Northern Pacific	159½	101¾	118⅞	75	99⅞	49¾	55⅝	47⅞	54	5
Pennsylvania	75⅝	53	61½	40¼	49¾	32¼	46¾	42¼	44⅛	3
Pere Marquette	*36½	*15	38⅛	9½	47¼	12⅛	52¼	40½	52	4
Pitts. & W. Va.	..	..	40⅜	17¾	94	21⅛	46½	38	46½	..
Reading	89⅝	59	115½	60⅛	108	60¾	79	51⅞	55	4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	56½	34⅜	†34⅜	2
Do. 2nd Pfd.	58¾	42	52	33¾	65½	33¼	56	33⅛	34	2
St. Louis-San Francisco	*74	*13	50½	21	38⅞	10¾	24½	19⅛	22⅞	..
St. Louis Southwestern	40⅜	18½	32⅛	11	40	10⅞	42⅞	33	40¼	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	93¼	85½	91	6
Southern Ry.	34	18	36¾	12½	38⅝	24¾	60	30½	59¾	5
Do. Pfd.	86⅞	43	85½	42	72½	42	73¼	66¾	72⅞	5
Texas Pacific	40½	10¼	29½	6½	70½	14	31¼	19	31¼	..
Union Pacific	219	137¾	164⅜	101¼	154¾	110	134⅝	126⅝	134⅜	10
Do. Pfd.	118½	79¾	86	69	80	61¼	74	70	72¼	4
Wabash	*27⅞	*2	17½	7	14⅜	6	17⅜	10¼	15⅝	..
Do. Pfd. A	*61¼	*6⅛	60½	30⅞	38	17	47¾	34	46⅛	..
Do. Pfd. B	..	..	32⅞	18	25½	12¼	32¾	22½	30½	..
Western Maryland	*56	*40	23	9¼	17¼	8	11⅜	8⅜	9¼	..
Western Pacific	..	..	25½	11	40	12	20½	14¾	20¼	..
Do. Pfd.	..	..	64	35	78	51½	67	58	66½	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	18¼	6	10	7½	9¼	..
INDUSTRIALS:										
Adams Express	270	90	154½	42	84	22	82½	73½	†77½	6
Allied Chem.	..	..	..	..	91¼	34	74⅝	65	71¾	4
Do. Pfd.	..	..	..	..	115½	83	115½	110	†115¼	7
Allis-Chalmers	10	7⅜	49⅛	6	59¾	26½	50½	41⅝	45	4
Do. Pfd.	43	40	92	32½	104	67½	96¼	90	†91½	7
Am. Agr. Chem.	63⅝	33½	106	47¾	113¾	10⅛	17	7⅛	†7½	..
Do. Pfd.	105	90	103½	89⅛	103	28¼	49⅝	18¾	23	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	49½	36	39	4
Am. Bosch Mag.	..	..	..	..	143⅞	22⅞	38⅞	22¼	24½	..
Am. Can	47⅜	6⅞	68½	19¾	107⅝	21¾	122⅝	95⅞	108¼	6
Do. Pfd.	129¼	98	114½	80	115	72	115⅞	109	115⅞	7
Am. Car & Fdy.	76½	36½	98	40	201	84⅛	178	153½	160	12
Do. Pfd.	124¾	107½	119½	100	126⅛	105¾	122¼	118¾	121½	7
Am. Express	300	94¾	140½	77½	175	76	103½	88	93	6
Am. Hide & Leather	10	3	22⅛	2½	43⅛	5	13⅝	7¼	†8½	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	29¼	65	50½	55¼	..
Am. Ice	..	..	49	8⅞	122	37	96	86	†87	7
Am. International	..	..	62¾	12	132⅛	16	25½	17⅜	21	..
Am. Linseed	20	6⅞	47¾	20	95	13	22⅜	16¾	†10¾	..
Am. Loco.	74¾	19	98¼	46⅝	136¾	58	76⅜	70⅛	73⅞	6
Do. Pfd.	122	75	109	93	122¼	96½	120	116¼	†119	7
Am. Safety Razor	..	..	..	..	22	3½	7½	5⅞	6½	50c
Am. Ship & Com.	..	..	..	..	47½	4¾	15⅜	10⅜	†10¾	..
Am. Smelt. & Ref.	105½	56⅝	123¾	50¼	89¾	29¼	65⅝	57½	63	5
Do. Pfd.	116¾	98¼	118⅛	97	109⅝	63¼	101¼	96	98¾	7
Am. Steel Fdys.	74½	24⅛	95	44	50	18	40⅛	33½	35	3
Do. Pfd.	..	..	..	..	107	78	104½	101	†101	7
Am. Sugar	136⅜	99⅞	126½	89⅛	148⅜	47⅝	61¼	38⅝	43	..
Do. Pfd.	133½	110	123½	105	119	67½	99⅞	79	86	7
Am. Sumatra Tob.	..	..	145¾	15	120½	16	28½	7½	8¾	..
Do. Pfd.	..	..	103	75	105	32½	69	81	†31	..
Am. Tel. & Tel.	153⅜	101	134½	90⅝	128¾	92⅛	130⅞	123	124⅜	9
Am. Tobacco	*530	200	256	123	314½	104⅛	157	136⅝	142½	12
Do. B	..	..	..	..	210	100⅛	104	101	102⅞	6
Am. Woolen	40⅝	15	60⅞	12	169½	55½	78⅞	62	72	7
Do. Pfd.	107¾	74	102	72½	111⅞	88½	102⅝	96¾	†99	7
Anaconda	54⅜	27½	105⅜	24¼	77⅞	30	41	28½	30⅜	..
Associated Dry Goods	..	..	28	10	89	48	100½	79	90½	5
Do. 1st Pfd.	..	..	75	50½	89	49⅞	88⅞	83½	†84½	6
Do. 2nd Pfd.	..	..	49½	35	93½	38	95	89	†91½	7
At. Gulf & W. I.	18	5	147¾	4½	192⅝	9¼	19	10⅜	†15	..
Do. Pfd.	32	10	74⅜	9⅞	76½	6¾	22⅛	12¼	21⅜	..
Baldwin Loco.	60¾	36½	154½	26⅝	156¼	62⅛	131	104⅜	112	7
Do. Pfd.	107½	100¼	114	90	118	92	116	109½	†109½	7
Bethlehem Steel B	*51⅜	*18¾	155½	59¾	112	41½	62⅛	45⅛	47½	5
Do. 7% Pfd.	80	47	186	68	108	87	97	90½	91	7
Do. 8% Pfd.	..	..	110½	92½	116⅜	90	110⅝	102½	102½	8

Price Range of Active Stocks

INDUSTRIALS Continued:	Pre-War Period 1909-13 High	Low	War Period 1914-18 High	Low	Post-War Period 1919-1923 High	Low	1924 High	Low	Last Sale June 11	Div'd $ Per Share
Burns Bros. A	45	41	161½	50	147	76	111½	97½	†105⅛	10
Do. B	..	..	..	..	53	21½	26	19⅝	23⅝	2
Calif. Packing	..	..	50	30	87½	48¼	87¼	80	62½	6
Calif. Petro.	72½	16	42⅜	8	71⅞	15¾	29¼	21⅜	22¾	1¼
Calif. Petro. Pfd	95½	45	81	29½	110½	83	107	94	96¼	7
Central Leather	51¾	16½	123	25⅞	116½	9⅜	17⅜	9⅞	12½	..
Do. Pfd	111	80	117½	94⅞	114	28⅛	44⅞	29¼	43½	..
Cerro de Pasco	..	..	55	25	67½	23	48½	40¾	45¼	4
Chand'ler Mot	..	..	109⅞	56	141¼	33¼	66½	42⅛	48¾	6
Chile Copper	..	..	39¾	11¼	30⅜	7⅛	28⅜	25⅝	27⅝	2½
Chino Copper	50⅜	6	74	31⅜	50⅞	14¾	20½	15	17	..
Coca Cola	..	..	..	..	83⅜	18	77½	61	69½	7
Colum. Gas & E.	..	..	54⅛	14¾	114⅞	30¼	38	33	37⅝	2.60
Consol. Cigar	..	..	..	..	80	13½	22⅛	11⅜	14½	..
Con. Gas	*165¼	*114½	*150½	*112½	*145¾	56¾	67¾	60⅞	66½	5
Corn Prod	26½	7⅜	50½	7	160½	46	37⅞	31½	35¼	..
Do. Pfd	98½	61	113½	58⅛	122¾	96	120½	117	†119½	7
Crucible Steel	19⅜	6½	109⅞	12¼	278½	49	71¾	48	52	4
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅜	18	11¾	12⅞	..
Cuban-Amer. Sugar	*58	*33	*273	*38	*605	10⅞	38⅞	28½	30⅛	3
Endicott-Johnson	..	..	..	..	150	44	67½	55⅞	59¾	5
Do. Pfd	..	..	..	..	119	84	115	108½	†108½	7
Famous Players	..	..	..	..	123	40	77⅜	61	77¾	8
Do. Pfd	..	..	..	..	107⅜	66	97½	87⅞	97⅛	8
Freeport Tex	..	..	70½	25¾	64⅜	9⅜	13⅞	8	9⅛	..
Gen'l Asphalt	42⅞	15½	39⅜	14¼	160	23	46¾	31⅜	38¼	..
Gen'l Electric	188½	129¾	187¼	118	202¼	109½	231½	193½	224⅝	‡8
Gen'l Motors	*51⅜	*25	*850	*74½	42	8⅛	16⅝	12¾	13	1.20
Do. 6% Pfd	..	..	99½	72¾	95	63	84⅛	80	81	6
Do. 6% Deb	..	..	..	..	94¼	60	84⅛	80⅛	81	6
Do. 7% Deb	..	..	..	..	105	69	100⅛	92	†92	7
Goodrich	86½	15½	80¼	19⅝	93⅜	17⅜	26¾	17½	18⅛	..
Do. Pfd	109¾	73⅜	116¾	79⅞	109½	62½	80	70⅛	73½	7
Gt. Nor. Ore	88½	25½	50⅜	22½	52¾	24⅞	31½	26	†26¼	3
Houston Oil	25½	8¼	86	10	116½	40½	82½	61	64⅝	..
Hudson Motors	..	..	..	..	32¼	19½	29¾	20½	23½	3
Hupp Motors	..	..	11¾	2½	29½	4⅝	18	11⅛	11⅞	1
Inspiration	21⅝	13⅞	74¾	14¼	68⅞	23¼	27⅜	22⅛	23¼	..
Inter. Mer. Marine	9	2⅛	50⅝	⅝	67¾	4⅞	10½	6¾	†7¾	..
Do. Pfd	27⅝	12½	125⅝	8	128½	18½	38⅜	26½	32¾	..
Inter. Nickel	*227¼	*135	57½	24½	33⅞	10⅜	15	11½	14⅜	..
Inter. Paper	19¾	6½	75½	9½	91¾	27⅞	48⅞	34½	48½	..
Invincible Oil	..	..	..	..	47¼	5½	16⅞	11¾	12¾	..
Kelly Springfield	..	..	85¼	36⅞	164	20½	35	12½	14⅜	..
Do. 8% Pfd	..	..	101	72	110¼	70¼	88	40	40½	8
Kennecott	..	..	64¼	25	45	14⅝	39⅜	34⅛	38	3
Keystone Tire	..	..	46½	11	126¾	1⅝	4⅜	1⅝	1⅝	..
Lima Locomotive	..	..	..	..	74⅞	52	68¾	56	57⅜	4
Loews, Inc	..	..	..	..	38⅜	10	18	15½	15¾	2
Loft, Inc	..	..	..	..	28	6	8¾	5½	†5¾	..
Miami Copper	30¼	12¾	49¾	16½	32¾	14½	24	20	20½	2
Nat'l Lead	91	42½	74⅝	44	148	63½	155⅜	123½	135½	8
N. Y. Air Brake	93	45	136	55⅞	145¾	26⅝	43⅝	36⅛	40⅞	4
N. Y. Dock	40¼	8	27	9¼	70¾	15¼	37⅞	19	34	..
North American	*87⅞	*60	*81	*38⅞	100¾	17½	27	22	26¼	2
Do. Pfd	..	..	..	..	48½	31⅞	47⅜	43⅞	†46½	3
Pacific Oil	..	..	..	..	69⅜	27½	58¼	45	48	2
Pan. Amer. Pet	..	..	70¾	35	140¼	38⅛	61¼	44¼	51⅝	4
Do. B	..	..	..	..	111¾	34⅛	59½	41¼	50¼	4
Philadelphia Co.	59¼	37	48⅞	21½	50⅛	26½	47⅝	42⅞	47¼	4
Phillips Pet	..	..	..	..	69⅜	16	42½	32¾	35⅛	2
Pierce Arrow	..	..	65	25	99	6¼	12⅛	6⅛	7⅛	..
Do. Pfd	..	..	109	88	111	13½	30⅝	18⅛	20½	..
Pittsburgh Coal	*29¾	*10	58¾	37½	74⅝	45	63¾	57	†59	4
Pressed Steel Car	56	18⅝	88¼	17¼	113¾	42½	62	45½	47	4
Do. Pfd	112	88½	109⅛	69	106	80	90	80¼	†80¼	7
Punta Aleg. Sug	..	..	51	29	120	24¾	67⅝	47¼	50¼	5
Pure Oil	..	..	143⅞	31⅜	61⅞	16¼	26⅜	20	21½	1½
Ry. Steel Spg	54½	22¼	78½	19	126⅛	67	115½	106	111	8
Do. Pfd	113⅜	90¼	105½	75	121½	92½	118	111½	†111½	7
Ray Cons. Cop	27½	7½	37	15	27½	9⅜	12⅛	9	10¼	..
Replogle Steel	..	..	..	..	93½	8	15⅝	7⅛	7¼	..
Republic I. & S.	49½	15¾	96	18	145	40⅛	61⅞	42	45¾	..
Do. Pfd	111¼	64½	112⅜	72	106⅜	74	95	84	85	7
Royal Dutch N. Y	..	..	86	56	123⅜	40½	59½	48	48½	3.48
Shell T. & T	..	..	..	..	90¼	29⅛	41½	33	56	2.06
Sinclair Con. Oil	..	..	67⅛	25¼	64¼	16	27⅜	17⅞	19¾	2
Stand. Oil N. J	*448	*322	*800	*355	*212	30⅞	42¼	33	34¾	1
Do. Pfd	..	..	..	..	118¼	100½	119	115⅜	117⅝	7
Stromberg Carb	..	..	45⅛	21	118¼	22⅛	84⅞	54½	62⅜	3
Studebaker	49½	15¾	195	20	151	37⅜	38	30½	34¼	4
Do. Pfd	98⅛	64½	119½	70	118¼	76	115	110	†110	7
Tenn. Cop. & Chem	..	..	21	11	17⅛	6¼	9¾	6⅜	7	..
Texas Co	144	74½	243	112	57⅜	29	45⅜	37⅛	39⅞	3
Tex. Pac. C. & O	..	..	..	..	108	5½	15¼	8¼	8⅝	..
Tobacco Prod	145	100	82⅜	25	115	45	70¾	53	60⅞	6
Transcontl. Oil	..	..	..	..	62⅜	1⅛	6¼	3⅜	4⅛	..
United Fruit	208½	126½	173	105	224⅞	95⅜	201¼	182	190	10
U. S. Ind. Alco	57¼	24	171½	15	167	35⅛	67⅜	61⅛	67⅜	..
U. S. Rubber	59½	27	80½	44	143⅜	30⅛	42⅞	22½	26½	..
Do. Pfd	123½	98	115¼	91	119½	74	94¾	66½	74½	8
U. S. Smelt. & R	59	30⅜	81½	20	78¼	18⅜	23⅞	18½	21	..
U. S. Steel	94⅞	41¼	136⅝	38	115½	70¼	109	94¼	96⅞	‡5
Do. Pfd	131	102½	123	102	123½	104	120½	118⅜	119⅝	7
Utah Copper	67½	88	130	48⅛	97½	41⅛	69½	64	68	4
Vanadium	..	..	..	..	97	24¼	33½	19⅛	21	..
Va.-Caro. Ch	70⅜	22	60¼	15	92½	6¼	10⅜	¼	⅛	..
Do. Pfd	129½	62	115⅜	80	115⅞	17	34¾	2½	2⅛	..
Western Union	36¼	56	105½	53⅜	121¼	76	113	105	†107⅜	7
Westinghouse Mfg	45	24¾	74⅞	32	67⅛	38⅞	65	55⅛	58⅛	4
White Motors	..	..	60	30	86	29⅛	59⅜	50½	52½	4
Willys Overland	*75	*50	*325	15	40⅛	4½	14¼	6⅞	7⅞	..
Wilson Co	..	..	84¼	42	104⅞	19	28	4⅛	5	..
Woolworth	177⅞	76⅛	151	81½	290	100	345	280	342	8

* Old stock. † Bid price given where no sales made. ‡ Not including extras.

ANSWERS TO INQUIRIES

(*Continued from page 289*)

AMERICAN CAR & FOUNDRY
Westinghouse a Better Holding

Last year I bought 50 American Car & Foundry at 152, and have since seen my paper profits dwindle from more than $1,200 to $300. Of course, I have had a little yield. Should I dispose of this stock and switch into something else, or is the stock likely to have another advance on which I might obtain the profit I disregarded early this year?—A. F. M., Chicago, Ill.

American Car & Foundry is in very strong financial condition and has a dividend reserve equivalent to three years dividends at the present rate of $12 a share per annum. For the year ended April 30th, 1923, $13.71 a share was earned on the stock and for the year ended April 30, 1924, it is estimated that a somewhat better showing will be made. Conditions in the equipment industry are not nearly as good at the present time as they were last year and, while the company has a large dividend reserve, should conditions remain unfavorable for some time, it is by no means certain that dividends will be maintained at the 12% rate, although a reduction in the immediate future is not probable. Taking all these factors into consideration, we feel that you would have a more satisfactory holding in Westinghouse Electric paying $4 per share per annum and selling around 57. Westinghouse Electric earned nearly $9 a share on the stock for the year ended March 31st, 1924, and the outlook for its business appears very satisfactory.

CONSUMERS POWER PFD.
Good Investment Holding

What in your opinion is the market outlook for Consumers Power stock? There does not appear to be much activity in the issue, and such information as I have been able to obtain regarding the company is not sufficient to enable me to form an opinion regarding the market probabilities. Yield is one thing but we are all looking for market profits as well. I would appreciate your advice regarding my holding of 100 shares of the preferred which cost me 90.—R. A. S., Philadelphia, Pa.

Consumers Power Company is controlled by the Commonwealth Power Corp. through ownership of common stock. Consumers Power Company serves eight of the ten largest cities in the State of Michigan, population served by gas and electric generating and distributing system is 775,000. Rated installed capacity of the electric generating stations is 214,000 horsepower of which 111,200 is water power plants. Earnings of Consumers Power have been showing a steadily increasing tendency. For the twelve months ended April 30th, 1924, surplus after payment of preferred dividends was 3.4 million which compared with a surplus after preferred dividends of 2.5 million the previous year. The 7% preferred stock is now selling around 100 and the 6% preferred stock around 90. Dividends on both issues are well protected and we consider them attractive business man's holdings. They are not issues, however, that offer possibilities of any important appreciation in market value from present levels, although in view of improved earnings they may move up a few points.

BROOKLYN UNION GAS

Large Earning Power

I have 50 shares of Brooklyn Union Gas Company, no par value, which cost me $60 a share. I have been advised by my broker to switch into 100 new Columbia Gas & Electric, which also has no par value, but it will be necessary for me to put up a little additional cash in order to make the switch. Do you regard the move a good one?—D. B. S., New York City.

Earnings of Brooklyn Union Gas in 1923 were equivalent to nearly $10 a share on the present outstanding stock. The annual report of the company, however, only showed $6 a share as 1.3 million was held in suspense representing amount charged by the entire system above the $1 rate from June 2nd, last, when the Court proceedings started against the $1 rate law. Based on findings in the New York & Queens County case against the $1 law and the evidence presented in their own proceedings there appears little question but that the $1 law will be found confiscatory and that the 1.3 million held in suspense will be released. Columbia Gas & Electric in 1923 earned $3.70 a share on its stock and earnings are showing improvement this year. We consider both stocks to have good prospects of appreciating in value and in order to diversify your holdings we suggest that you only switch half of your Brooklyn Union Gas stock into Columbia Gas & Electric.

CANDELARIA MINES COMPANY

Reorganization Plan

Through a friend I was induced to buy several thousand shares of Candelaria Mines. Some brokers profess to quote it, but I do not find it in the regular daily papers. Is there really a market for it, and is the company operating or likely to operate?—R. W. B., Nashville, Tenn.

Candelaria Mines was never more than a mining gamble and has turned out to be a bad one. There is now practically no market for the stock although some brokers quote it around one cent a share. The company is being reorganized and each stockholder has the right to subscribe to one share of New Candelaria Mines Company for each of the old shares held at 10 cents a share. We believe it advisable to charge your loss to experience rather than put any more money in the proposition. The properties are now shut down.

CHASE NATIONAL BANK—NAT. BANK OF COMMERCE

Excellent Long-Pull Holdings

I have held a small block of Chase National Bank stock for two years. It cost me $290 a share. At the same time I bought 60 shares of National Bank of Commerce stock at $275. Would you advise selling these issues at around their present prices of approximately 340 and 320 respectively, and if so in what would you invest the proceeds?—J. T. P., Brooklyn, N. Y.

Although you have a good profit in your Chase National Bank and National Bank of Commerce stock, we see no reason for disposing of these holdings. Both stocks, in our opinion, are excellent long-pull investments and over a period of years are likely to appreciate still further in value.

AMERICAN LIGHT & TRACTION

Detroit Edison More Attractive

Will you advise the purchase of American Light & Traction common around its present figure of 125? I have been told that the company is in an excellent position, and that the stock is intrinsically worth 150 a share.—L. T. L., Pittsburgh, Pa.

American Light & Traction for the year ended December 31, 1923, earned $9.97 a share on the common stock as compared with $10.86 a share in the preceding year. This company for a long period of years has adopted the policy of paying out dividends partly in cash and partly in stock and as a result of this policy the outstanding common stock has steadily increased. At the present time, dividends are being paid at the rate of 4% in cash and 4% in stock per annum. Earnings are expected to increase this year. This is one of the most substantial utility companies in America, and in the past has shown a remarkably good earnings record. While rather high, the stock has sound investment merit for long-range investment purposes.

GREAT NORTHERN

Earning Its Dividend

Would like to have your opinion of Great Northern. Is the payment of the dividend guaranteed for this year?—W. F., Newburgh, N. Y.

Great Northern earned around $7.20 a share on the stock last year, although commercial conditions in the agricultural communities it serves were unsatisfactory due to the low price of wheat. With the demonstrated earning power of the Great Northern road, we regard its shares at around present prices as an attractive speculative holding. Of course, the dividend has not been guaranteed for 1924, but the regular quarterly dividend was declared at the last directors' meeting.

CONSOLIDATED GAS OF BALTIMORE

Financial Condition Improved

What is your opinion of Consolidated Gas of Baltimore? It was recommended to me and I have held it for several years, but its yield is not sufficiently attractive to me, and I have considered disposing of it. Maybe you can tell me why the stock has not participated in the forward movement in which so many of the utility stocks have shared.— R. T. L., Los Angeles, Cal.

The reason Consolidated Gas, Electric Light & Power of Baltimore common stock has not advanced to any extent in the past few years can be explained by the decidedly conservative dividend policy of the management and is not due to any unfavorable developments as regards earning power. For the year ended December 31st, 1923, the company earned $25 a share on the common stock which compares with the present dividend rate of only $8 a share. This conservative dividend policy has greatly strengthened the financial structure of the company and at the close of 1923 current assets were more than four times current liabilities, giving the company more than enough liquid capital to sufficiently conduct its

business. Under these circumstances, it is logical to expect higher dividends before long. We believe your best policy is to continue to hold the stock. While the return on the present dividend rate is not large still it is higher than would be obtained from high-grade bonds and, as already stated, there is an excellent prospect that stockholders will receive more liberal treatment.

CONSOLIDATED GAS

Yields 7.7%

Last July I bought Consolidated Gas at 59, and while I am satisfied with it from an investment standpoint I would like a public utility with a little better prospect for market enhancement. If, however, you think it would be better to hold this stock, please give me a brief statement of your reasons.—W. I. T., Birmingham, Ala.

Consolidated Gas stock, in our opinion, has good prospects of advancing to still higher prices. At present levels of around 65, the stock yields 7.7% which is decidedly attractive for a public utility stock whose dividend appears as well protected as in the case of Consolidated Gas. In 1923, $7.77 a share was earned on the amount of stock now outstanding, but the showing was really better than this as the company, during the year, did not have the use of the money raised through the sale of 600,000 shares at the close of the year. Earnings for 1923 amounted to $9.23 a share on the average amount of stock outstanding during the year. In addition, $2.2 million was deducted from earnings as "gas sales suspense," representing collections above the $1 rate now in litigation. There appears little doubt but that the company will win out and that the $1 rate will be held confiscatory. Under the circumstances, Consolidated Gas stock appears entitled to a higher price level, and we advise retaining it.

HINTS TO MONEY MAKERS

Railroad mergers are likely to be the center of speculative interest for some time to come. Missouri Pacific is awaiting the consent of the Inter-State Commerce Commission to acquire control of New Orleans, Texas & Mexico. Negotiations are under way for the leasing of Norfolk & Western by Pennsylvania, and a merger between Chesapeake and Ohio and Nickle Plate appears probable. Just where the lightning will strike next cannot of course be predicted, but it is well to bear in mind roads that occupy a strong strategical position and would be a desirable adjunct to some larger system. Among the low-price rails that might be thus classified we would include Western Pacific, Chicago & Eastern Illinois, Seaboard Airline.

PUBLIC SERVICE CORPORATION OF NEW JERSEY

(*Continued from page 285*)

lions outstanding will not be exchanged, but the 19.7 millions of common stock (limited to 5%) of the United Electric Co. now held by the Trustee as part security under the indenture will be replaced by 19.7 millions of 7% preferred stock of the Public Service Electric and Gas Company.

Advantage to Company

The net result of the above changes in capital structure will be a 45.8 million dollar reduction in the funded debt of the parent company, which will be but partly offset by new direct bond issues. Furthermore, the 19.7 millions of common stock of the United Electric Co. now forming part of the collateral pledged to secure the Perpetual Interest Certificates will be released, thus making the consolidation of the three operating companies possible.

The company will have a definite advantage also in the fact that it will have a bond issue under which provision has been made for the issuance of additional bonds from time to time as new money is needed for expansion or consolidation.

As regards the security holders, it may be said that the plan has both advantages and disadvantages. The holders of the Secured 7s of the Public Service Corporation will have their bonds redeemed, with no security being offered them with the same attractive return. This, however, is a prerogative of the Company's as the indenture provides for the redemption of the bonds on any interest date at 30 days' notice. Investors who own the Perpetual Interest Certificates will not be affected in any way except through the transfer of part security pledged under the indenture, and as this is also authorized in the mortgage and agreement of pledge, the holders have no voice in the matter. Even so, they have no cause for complaint as the investment position of the Perpetual Certificates will be materially strengthened by the exchange of collateral.

Whether the plan is ultimately to be put into effect or not depends entirely upon the number of Gen. Mtge. 5s that are deposited with depositories for the purpose of making the exchange already outlined. Everything rests with the holders of these bonds. If the exchange offer is accepted by a substantial majority, efforts will be made to make the plan effective. Otherwise, the greater part of it will probably be dropped.

A Good Exchange

The General Mortgage 5% bonds are now secured by pledge of 25 millions of a total of 43.2 millions capital stock of the Public Service Electric Co., and by pledge of the 19.7 millions common stock of United Electric Co., subject to the prior pledge as part security of the Interest Bearing Certificates. Under the terms of the plan, the 5½% bonds offered in exchange will be secured by an absolute first mortgage upon property which is valued at 40 millions, and by a direct mortgage upon property valued at 48 millions, subject to 21.7 millions of underlying bonds. They will be further secured by mortgage on leasehold estates showing an equity of over 60 millions and by pledge of securities.

When the two securities are compared, it is obvious that the First and Refunding 5½s are preferable to the Gen. Mtge. 5s. The equity behind the issue is greater, the coupon rate is higher and the sinking fund provision is better. There is one drawback, but this is not of great consequence. Whereas, the General mortgage of the Public Service Corporation is closed at 50 millions, the First and Refunding mortgage of the Public Service Electric and Gas Co. provides for the issuance of additional bonds, but the provisions thereto offer fairly suitable safeguards to holders.

There are several other things that the Gen. Mtge. bondholders must consider, however. At a present price of 92, the yield to maturity is but 5.50% and this return is not attractive. The high price for the bonds is the result of the plan of readjustment and the prospect of a higher coupon rate. Should an insufficient number of bonds be deposited to warrant the plan being carried out, the market price of the issue would probably go lower. On the other hand, the return to maturity on the First and Refunding 5½s would be but approximately 6% at a price of 92. Thus, the holder of the Gen. Mtge. 5s is in reality likely to see a decline in the market value of his holdings should the plan not be put into effect and apparently does not stand to profit to a great extent above present market prices, if he does receive a 5½% bond.

Conclusion

Neither of the two preferred stock issues or the common stock of the parent company will in any way be effected by the proposed change in capital structure except perhaps to benefit by the general improvement in the company's affairs should the plan become effective. At a present price of 104, the 8% preferred gives a desirable return of 7.7%. The 7% preferred is quoted at 99½ to return approximately 7%, and since it has no advantages over the other preferred issue, the holder should exchange his shares for the 8% preferred stock.

The common stock now receives $4 a share annually and is quoted at 47 to return approximately 8.5%. Earnings available for this issue in the past year amounted to about $4.80 a share figured on the number of shares now outstanding, and while recent improvement in operations of the traction end of the business should mean slightly higher net per share for 1924, the security does not appear to be especially attractive when compared with others in the public utility group.

UNLISTED UTILITY BOND INDEX

(IN ORDER OF PREFERENCE)

POWER COMPANIES

	Investment Grade	Bid Price	Asked Price	*Yield
Appalachian Power Co. 7s, 1936 (Non-Callable)	B..	101½	102½	6.70
Penn.-Ohio Power & Light 8% Notes, 1930	B..	103	104½	6.90
Indiana Power Co. 7½s, 1941	B..	100	102½	7.20
Tennessee Power Co. 1st 5s, 1962	A..	87	88	5.70
Appalachian Power Co. 1st 5s, 1941	A..	92	92½	5.70
Alabama Power Co. 1st 5s, 1946	A..	93½	94	5.40
New Jersey Power & Light 1st 5s, 1938	B..	89	91	6.10
Parr Shoals Power Co. 1st 5s, 1952	B..	88	90	5.70
Nebraska Power Corp. 1st 5s, 1949	A..	94½	95½	5.35
Hydraulic Power 1st & Imp. 5s, 1951	A..	98¼	99¼	5.05
Union Elec. Light & Power Co. 1st 5s, 1932	A..	95½	96½	5.60
Idaho Power Co. 5s, 1947	A..	91½	93	5.65
Texas Power & Light Co. 1st 5s, 1937	B..	92¾	93¾	5.75
Ft. Worth Power & Light 5s, 1931	A..	97	98½	5.25
Central Ga. Power Co. 1st 5s, 1938	B..	88½	90	6.20
Electrical Development of Ontario 5s, 1933	A..	95½	97	5.40
Adirondack Electric Power 1st 5s, 1962	A..	96½	97	5.10
Carolina Power & Light 1st 5s, 1938	A..	97	97½	5.25
Madison River Power Co. 1st 5s, 1935	A..	98	99	5.05
Shawinigan Water & Power 1st 5s, 1934	A..	99	100½	4.95
Niagara Falls Power 1st & Cons. Mtge. 6s, 1950	A..	104½	105¼	5.40
Consumers Power Co. (Mich.) 1st 5s, 1936	A..	98	98½	5.10
Salmon River Power 1st 5s, 1952	A..	97¼	98¼	5.25
Great Western Power Co. 5s, 1946	A..	93¾	94¼	5.40
Mississippi River Power 1st 5s, 1951	A..	95	96	5.25

GAS AND ELECTRIC COMPANIES

	Investment Grade	Bid Price	Asked Price	*Yield
Burlington Gas & Light 1st 5s, 1955	B..	83	85	6.05
United Light & Railway 5s, 1932	B..	89	90½	6.40
United Light & Railways 6s, 1952	B..	93½	94¾	6.40
Tri-City Railway & Light 5s, 1930	B..	92½	94	6.00
Bronx Gas & Electric 1st 5s, 1960	A..	89	92	5.65
Dallas Power & Light 6s, 1949	A..	99½	101	5.90
Portland Gas & Coke 1st 5s, 1940	B..	92½	93½	5.60
Denver Gas & Electric 1st 5s, 1949	A..	95	96½	5.40
Indianapolis Gas Co. 1st 5s, 1952	B..	87½	89	5.70
San Diego Cons. Gas & Electric 1st Mtge. 5s, 1939	A..	92	94	5.60
Twin State Gas & Electric Ref. 5s, 1953	B..	79	81	6.30
Oklahoma Gas & Electric 1st & Ref. 7½s, 1941	B..	101	103	7.00
Evansville Gas & Electric 1st 5s, 1932	B..	94	95	5.90
Cleveland Elec. Ill. Co. 5s, 1939	A..	99½	100¼	5.00
Cons. Cities Light, Power & Traction 1st 5s, 1962	C..	63	69½	7.35
Houston Light & Power 1st 5s, 1931	B..	97	98	5.30
Nevada-California Electric 1st 6s, 1946	B..	93	94½	6.25
Oklahoma Gas & Electric 1st Mtge. 5s, 1929	B..	94½	96	5.70
Rochester Gas & Electric 7s, Series B, 1946	B..	108	109½	6.20
Syracuse Gas Co. 1st 5s, 1946	A..	92	94	5.30
Buffalo General Electric 1st 5s, 1939	A..	98¼	99¼	5.10

TRACTION COMPANIES

	Investment Grade	Bid Price	Asked Price	*Yield
Galveston-Houston Electric Railway 1st 5s, 1954	B..	81	84	6.20
Minn. Street Ry. & St. Paul City Ry., Jnt. 5s, 1928	B..	93	94	6.55
Northern Ohio Traction & Light 6s, 1926	B..	97	98	7.00
Knoxville Railway & Light 5s, 1946	C..	86	87½	6.00
Columbus Street Railway 1st 5s, 1932	B..	90½	93	6.15
Kentucky Traction & Terminal 5s, 1951	C..	73	75	7.10
Detroit United Railway 1st Coll. 8s, 1941	B..	105¼	107	7.30
Nashville Railway & Light 5s, 1953	B..	91	92½	5.50
Memphis Street Railway 5s, 1945	C..	73½	75	7.20
Schenectady Railway Co. 1st 5s, 1946	C..	52	54	10.30
Topeka Railway & Light Ref. 5s, 1933	B..	87	87½	5.80

HOLDING COMPANIES

	Investment Grade	Bid Price	Asked Price	*Yield
American Power & Light 6s, Series A, 2016	B..	93	94	6.35
Penn.-Ohio Edison 6½s (notes), 1927	C..	97¼	98	6.90
General Gas & Electric s. f. 7s, 1952	B..	98	100	7.00
American Gas & Electric 6s, 2014	B..	94	94¾	6.20
Standard Gas & Electric Co. 6s, 1935	C..	88½	90	7.25
Middle West Utilities 8s, 1940	A..	106½	108	7.30

TELEPHONE AND TELEGRAPH COMPANIES

	Investment Grade	Bid Price	Asked Price	*Yield
Home Tel. & Tel. Co. of Spokane 1st 5s, 1936	A..	96½	97¼	5.40
Chesapeake & Potomac Tel. Co. (Va.) 1st 5s, 1943	A..	94	96	5.35
Ohio State Telephone Co. Ref. 5s, 1944	A..	95½	96¼	5.35
Western Tel. & Tel. Collateral Trust 5s, 1932	A..	96	98	5.35

* Yield computed at the asked price.

HOW WILL LOW MONEY RATES AFFECT BANK EARNINGS?

(*Continued from page 292*)

about 4½ to 3%, which throws light upon that particular element.

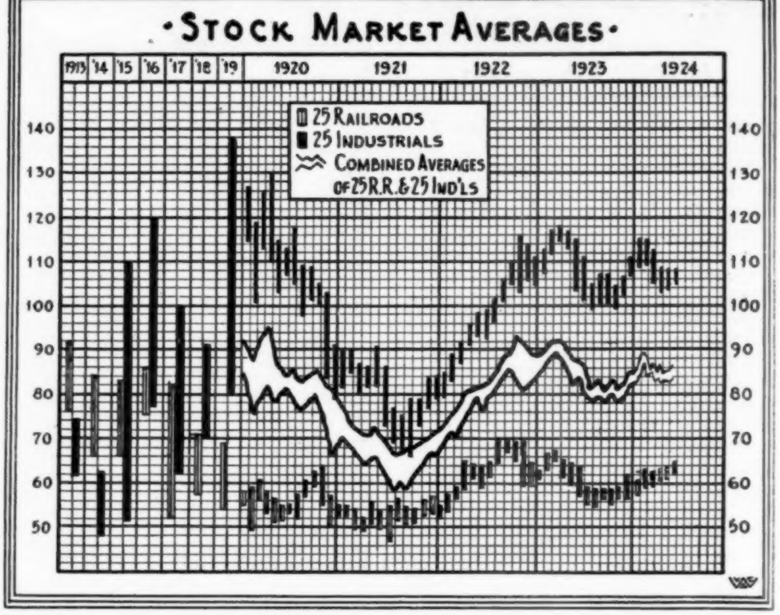
If we estimate a reduction in earnings on this score amounting for the year to about $30,000,000 and a reduction of earnings on commercial paper amounting to about $35,000,000 a net lessening of return of $65,000,000 would be inferred. Lower returns on bond investments would probably add another reduction on these items amounting to $60,000,000—a general total of possibly $155,000,000. Of course this is on the assumption that present conditions or something like them are maintained throughout the year, the foregoing figures being based on a twelve-months' period. The gross earnings of national banks last year were $1,049,000,000 or of all banks probably around $2,000,000,000.

How to keep up bank earnings under these conditions is no easy problem, and in a good many localities the conclusion is being reached by bank officers that it can be done only by cutting the rates going to depositors. The rates and regulations on this subject were established during a period of comparatively high earnings after the war and have resulted in giving the depositor on the whole by far the better end of the banking business. Extreme bank sompetition has tended to emphasize the situation and the result has been to reduce profits rather unduly in a good many quarters.

One result has been that not a few banks are declaring as dividends a much larger percentage of their earnings than they really ought to be paying out with conditions as they stand today. A beginning doubtless will have to be made in connection with the so-called savings departments which are operated by a good many national and other commercial banks.

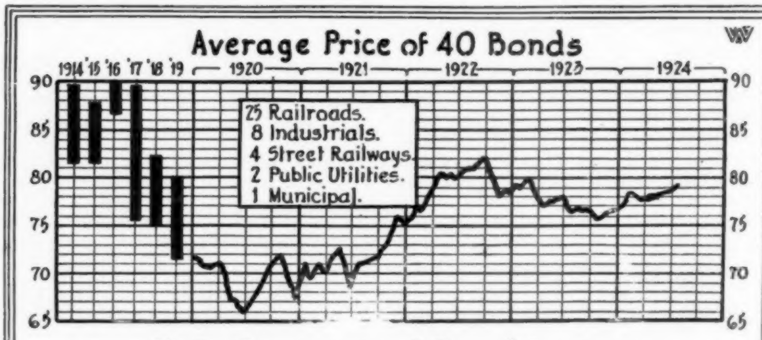
Expensive features and service departments have already been lopped off here and there, and some further economies in that line can be introduced. The fact that the banks have succeeded in raising their total time deposits to about $5,000,000,000 or more in the past five years, nearly 200% growth, is itself indicative of the over-high inducements which they have held out to customers, thereby inducing them to leave savings banks at which they were previously well enough satisfied while at the same time they have added little strength to the commercial institutions because they have taken more than they were entitled to.

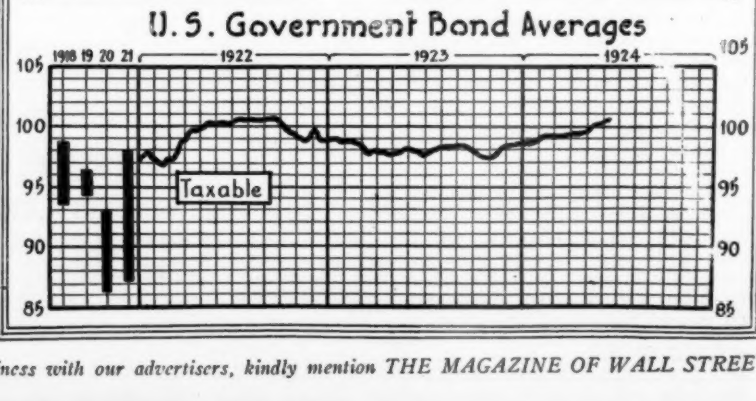
Economies of management, abandonment of unnecessary departments and regulation of rates of interest to depositors are the first and most urgent steps to be taken. Development of new fields of business, particularly abroad, comes next. Both classes of measure are essential. Little help will come from looking over the market and picking up securities on a more and more doubtful basis merely because of their yield.



MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N.Y.Times 50 Stocks High	N.Y.Times 50 Stocks Low	Sales
Thursday, May 29......	78.63	89.90	82.29	84.48	83.94	408,370
Friday, May 30.......... Saturday, May 31.......	E X C H A N G E			C L O S E D		
Monday, June 2........	78.59	90.15	82.15	84.55	83.97	310,425
Tuesday, June 3........	78.65	91.23	82.58	85.34	84.50	623,623
Wednesday, June 4.....	78.76	90.72	82.78	85.81	84.84	750,909
Thursday, June 5........	78.85	90.41	83.22	85.26	84.60	572,835
Friday, June 6..........	78.91	89.18	82.58	84.92	83.94	644,875
Saturday June 7........	78.92	89.52	82.76	84.29	83.85	294,715
Monday, June 9.........	79.10	90.15	83.16	84.88	84.09	485,590
Tuesday, June 10.......	79.31	90.53	83.44	85.15	84.55	543,755
Wednesday, June 11....	79.43	92.00	84.30	86.50	85.21	950,975





Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date*

Allied Packers	2 — 3
Pr. Pfd.	14 — 17
American Arch (5P)	x 80 — 84
American Book Co. (6)	96 — 98
American Cyanamid (4P)	100 —103
Pfd. (6)	72 — 75
Amer. Thread pfd. (5%)	3¾— 4⅛
Amer. Type Founders (7)	96 — 98
Pfd. (7)	99 —101
Atlas Portland Cement (4)	85 — 88
Babcock & Wilcox (7)	118 —120
Borden Co. (8)	119 —121
Pfd. (6)	102 —104
Bucyrus Co.	62 — 65
Pfd. (7A)	98 —101
Celluloid Co. (6)	47 — 53
Congoleum Co. pfd. (7)	95 — 99
Crocker Wheeler (1¾)	23 — 28
Pfd. (7)	74 — 80
Eisemann Mag. pfd. (7)	43 — 48
Franklin Rwy. S. new w. i.	80 — 90
Jos. Dixon Crucible (8)	134 —139
Ingersoll Rand (8P)	180 —190
Johns-Manville, Inc. (3P)	103 —107
McCall Corp'n	49 — 52
Pfd. (7B)	116 —119
Merck & Co. pfd. (8)	61 — 63
National Fuel Gas (5P)	93 — 95
New Jersey Zinc (8P)	136 —139
Niles-Bement-Pond	36 — 39
Pfd. (6)	.. — 80
Phelps-Dodge Corp'n (4)	95 —110
Poole Engin'g (Maryland):	
Class A	17 — 20
Class B	17 — 20
Richmond Radiator Co.	13 — 16
Pfd.	72 — 78
Royal Baking Powder (8)	130 —138
Pfd. (6)	98 —100
Safety Car H. & L. (8)	103 —105
Savannah Sugar (6)	64 — 68
Pfd. (7)	85 — 88
Sheffield Farms (6)	105 — ..
Pfd. (6)	88 — 92
Singer Mfg. Co. (7)	137 —139
Superheater Co. (K)	100 —105
Technicolor, Inc.	8 — 9½
Thompson-Starrett (4)	70 — ..
Victor Talking Mach. (8)	122 —132
White Rock (K)	9½— 11
2nd Pfd. (5)	54 — 58
1st Pfd. (7)	82 — 87
Yale & Towne (4P)	61½— 64

* Dividend rates in dollars per share designated in parentheses.
P—Plus Extras.
A—Arrears of 27¼% being discharged at rate of 7% annually in addition to regular dividend rate.
x—Ex-Dividend.
K—Dividend rate on this stock not established.

THERE was a better undertone in Over-the-Counter stocks during the fortnight. Some of the more active issues tended higher, and there were few declines of importance.

Among the issues that suffered somewhat for lack of support was the stock of the *Victor Talking Machine Co.,* and while there were few actual transactions in this issue, its downward tendency did not fail to arouse comment.

Victor's balance sheet, as at the end of 1923, was briefly discussed here in a recent issue. It was noted that the company entered the current year with a comparatively heavy load of inventories, that is, raw materials, finished goods in transit; and it was suggested that this condition might not reflect as healthy a state of affairs for the company as could be desired, especially in view of the serious encroachments radio has made in the talking machine industry. The action of the stock since these comments were published would seem to indicate that somewhat similar views are held by those interested in it.

Victor's apparent delay in entering the radio field has aroused considerable comment in circles interested in the company's affairs. With its large manufacturing facilities, strong agency organization (including, it is believed, close to ten thousand agency stores scattered over the country), and A-1 trade name some observers have had difficulty in accounting for the failure of Victor's heretofore aggressive and progressive management to enter the radio field in a large way. In this connection, a story which has recently been unofficially circulated is of some interest: The story is that Victor is awaiting patent protection in the matter of a special radio apparatus of its own design which apparatus would be the only one capable of receiving programs broadcasted from a Victor station.

Such a move would certainly be in line with Victor methods and have ramifications of apparent significance to the company. It is scarcely a sufficient basis for recommending the stock, however.

The stocks particularly referred to in recent issues continued to act well, notably, *National Fuel Gas, Singer Mfg., American Cyanamid* and, in the class of outright speculation, *Technicolor, Inc.* National Fuel's excellent earnings showing over a period of years could probably be amplified if the operating assets of this holding company were fully revealed. The company is credited with having Standard Oil affiliations. American Cyanamid, for the current year, is expected to show about the same earnings as those recorded last year. The remarkably altered status of this company is measurable by the advance in its common shares in recent years, from the depression—low around $8 per share to the current level around par. Technicolor was bought in good quantities by those who hope that the company's natural color process will mean an important step forward in motion pictures, thus taking the company out of the novelty class.

WHO WILL WIN THE DEMOCRATIC NOMINATION?

(*Continued from page* 251)

per, makes and enjoys enemies; clings obstinately to any position once taken, fears neither man nor devil, and would make a generally acceptable though somewhat eccentric and partisan president.

Except as Democracy is inherently anti-business, the economic life of the country would not suffer in a Glass administration, and any attempts to promote social disintegration would be dealt with as sternly as Cleveland dealt with them.

Another old-school Democrat, who has not got beyond a favorite-son position—which he waives—in the pre-convention jockeying, is Senator Ralston of Indiana. His chief political asset is his assurance that he can deliver Indiana to the Democrats, but in the present humbled and torn condition of the Republican party in that state it is not thought that any individual assurance of such delivery is required. He is 66 years of age, and is perhaps slowing up a little. He is safe and sane.

Among others prophetically talked about is Senator Thomas J. Walsh, of Montana, who led the great investigation crusade in Congress that has shattered and shamed the erstwhile cocky and confident Republican party. As a progressive, he is the natural heir of the McAdoo strength. Walsh is an able lawyer, sometimes called the ablest west of the Mississippi. A good deal of a radical, he is yet too much of a legalist to be dangerous. He is a man of definite and fixed opinions and exceptional mental clarity. He is fanatically upright, believes in "plotting interests," "industrial tyranny," "plutocracy," and other figurative abstractions, and would be vigorously sallying forth against them from the White House were he charged with the defense of that majestic homestead.

The lot may fall to Governor Ritchie of Maryland, scarcely known to national fame, or even to Senator Robinson of Arkansas, who would physically fill the rôle of President better than any of the other possibilities, having the figure and the face of a tragedian. It is not for nothing that Robinson is the floor leader of the Democrats in the United States Senate.

Then there is Governor Sweet of Colorado, and former Secretary of Agriculture Meredith, of Iowa;—and there be some respectable diviners who foresee the new Democratic Moses as surely coming from the regions beyond the Mississipi. Former Governor Cox, of Ohio, leader of the Democratic forlorn hope in 1920, is of course among those present, but not very noticeably. None of his followers really thinks he has a ghost of a chance, but then—. And there are others, very much "others"—as for instance David F. Houston, of Missouri and New York, who was Secretary of Agriculture under Wilson, Senator Royal S. Copeland, of New York and syndicated "Health Hints" and Gov. Silzer of New Jersey.

HOW YOU AND YOUR PARTNER CAN PROTECT YOUR PARTNER—AND YOU!

(*Continued from page* 258)

ing policies be incorporated into the Business Agreement—assuming, of course, that they are of the type that can be so used, and that the change has been carefully considered in regard to the original beneficiaries. Past premiums, outstanding loans, etc., could be adjusted in the instrument.

No One-Sided Advantage

The advantages are by no means to be enjoyed only by your family and your partner. This is not a one-sided proposition.

During your lifetime your business credit steadily enhances in value. In times of money stringency, you have an immediate loan fund at a fair rate. Only a man who has tried to borrow money during a panic such as that experienced in 1907 can really appreciate this point. Others may—in time to come. The bonds of partnership among associates are drawn tighter in mutual sympathy, for, after all, the real factor in the success of the business is the *individual*—not the plant, the patent or the stock of goods. Otherwise, why does one of the best known rating houses suspend the rating of a concern upon the death of an important member unless some such provision as I have outlined in this article has been adopted?

Would you be willing to buy your partner's interest in the business by paying possibly 3% a year until his death, with no obligation to pay the principal?

That's what Marsh did!

SCHOOL FOR TRADERS AND INVESTORS

(*Continued from page* 263)

counts are closed out, and following which the market makes its preliminary sudden advance of several points, thus marking the beginning of the new bull market.

The Turning Point

In previous discussions it has been pointed out that the turning point near the bottom of the market is more difficult to determine with assurance than the reversal of trend near the peak. This is true because the manifestations of the turn are in greater variety. If we attempted to classify these manifestations in a broad way, we might refer to at least three general possibilities: (1) a slow, dragging, listless, inactive market, with repeated weak rallies followed by sudden reactions, but with characteristic failure to reach new low levels; (2) a sudden, violent, smashing decline, continuing for two or three days, during which everything seems to go down at once, nothing being able to stem the tide, well-calculated to stimulate the impulse to sell everything before it goes through the bottom in one universal, withering disaster, caused by a combination of liquidation and overdone short selling; and (3) a combination of these two possibilities.

One of the frequent mistakes of the inexperienced trader is to be too impatient, and to begin accumulating stocks before the reversal of trend is definitely determined. Remember that buying at the bottom is considered difficult, or almost impossible, by even the most experienced traders. Do not be in a hurry! If the market is of the slow, listless variety, begin by buying moderately only on sharp reactions, on a very wide margin, so as to guard against the possibility of a final shake-out. In order to protect trades against such a violent terminal reaction, stop-loss orders may be placed at the danger points, usually a little below the low level established by repeated reactions. Such protection enables the trader to step aside and avoid the force of a sudden shake-out, so that he may re-enter immediately following the sudden drive, and thus lower his average buying level, with the probability of quickly making up whatever limited loss he may have sustained by being stopped out of his preliminary position.

During the period of accumulation, if the trader can carry a sufficient number of units, it is good practice to close out a moderate percentage of his line on each good bulge, with the view of replacing the units so closed out as soon as the almost certain reaction has taken place.

Do not think that the market is going to run away from you, and make the mistake of doing your buying on the bulges. If you do this, like all the other novices, you will surely have to carry your stocks through one or more reactions, and it is barely possible that one of these dips may scare you out of your stocks at a price that proves to be lower than those reached on any subsequent price. Remember that somebody is slated to sell out at the bottom eighth, and try not to be that unfortunate individual.

In addition to the practice of holding part of your stock for a general advance, and taking occasional "trading-line" profits for the purpose of marking down your average cost, there is another practice that may be quite profitable when carefully carried out, namely, pyramiding. This has been discussed at length in previous articles in this department. The essential features are the careful selection of the right stock, the proper design of the base of the pyramid, and the protection against loss by properly adjusted stop orders.

Bear in mind, that after a bull market gets under way, you must not become progressively enthusiastic, and follow the general impulse to pyramid on profits in a variety of issues. On the contrary, become gradually less bullish as prices advance, so that you will be willing to take profits whenever harvesting time comes around.

Do not wait for the top of the market to sell out your line. It isn't usually done. Take profits on unusually active bulges, as soon as the market appears to have reached the "Roman candle stage."

In a subsequent article we will discuss some of the principles that we think should guide the amateur in what is termed a "trader's market."

THE OLD-TIMER GOES A-BARGAIN HUNTING!

(*Continued from page* 253)

that Martin Parry had only 100,000 shares outstanding and that it was earning well above its dividend requirements, also that the outlook for the company was very promising, and his decision to list Continental Can was no reflection on the other company. But he felt that the automobile industry was well represented already and he liked the fact that Continental is booked with orders which will keep its plants busy for the remainder of the year and that the company should show between $9 and $10 a share for the first half year. He had watched Continental slowly but surely build up its business and firmly believed in the management and its policies.

"Now for a few bargain bonds with profit-making possibilities and we are done," said Old Timer to Tom, his big gray cat who dozed before the open fire. He had already made up his mind that three of the four high-yield bonds which he would choose to round out his list should be rail bonds. He felt that after many years of vicissitudes the business of railroading had at last taken a definite turn for the better. He was convinced that the low prices reached by the stocks and bonds of the better class of rail securities would not be again reached for many years, if ever. He also knew that the return of investment confidence in the rails would be a slow affair and that the situation, therefore, presented some striking bargains for the alert investor.

'Frisco Adjustment 6s at 75 returned an even 8%. Te be sure, this interest is payable only as earned, but 'Frisco's good showing and the fact that the road is earning better than twice the interest on the Adjustment 6s warranted, in his opinion, their purchase. Moreover, they are cumulative which the Income 6s are not, and he was quite willing to forego the higher return which the Income 6s make, for the cumulative feature of the Adjustments.

Wilson & Company 1st mortgage 6s were chosen by Old Timer for their excellent yield and the fact that they were a lien on the entire Wilson properties which he believed to be worth several times the par of the outstanding bonds. Old Timer was not greatly concerned over the receivership talk for two reasons, first because he regarded it as largely lungs and language and secondly he did not think the position of the bonds would be materially affected even if a receivership was decided upon.

Missouri, Kansas & Texas Adjustment 5s he regarded as an outstanding bargain with their return of nearly 9%. The fact that the interest on these bonds is being earned twice over gave him the courage to purchase in the face of what would ordinarily be regarded as a suspiciously high return for a security of this sort.

In *Erie General* 4s at 56 Old Timer felt that he was purchasing a security which is selling on a much higher return basis than warranted by the position of

the company. Erie's remarkable recovery and its improving position augured well for the future of these bonds and in putting them on his list Old Timer was convinced he was making no mistake. Had the common been paying dividends he would have included that in his list, for he believed in its future.

Lighting his pipe and resting his heels on the edge of the desk Old Timer surveyed the results of his bargain hunt with equanimity.

"I may have overlooked something, probably have," he soliloquized, "but the best that anyone can do in these days of a multitude of issues is to get a fair percentage of those with promising prospects. Of course, I'd prefer the market to go up, but if it goes down I shan't worry for I believe every one of the securities I have chosen is worth considerably more than its present selling price. Values, after all, are like water. Give 'em time enough and they'll surely find their level. Only you've got to have the brains to pick out the bargains and the patience to let 'em ripen. Ain't that right, Tom?"

At the question, Tom opened one green eye and purred sleepily. So it must have been right.

WILL THE BANKS PAY THE BONUS?

(Continued from page 291)

other elements. The total amount which could be borrowed from the banks under the restrictions set forth would presumably be 90 per cent of this amount eventually, but of course that sum could hardly be obtained from the banks in the course of any one year after the certificates had all been issued even if the loan value be estimated on a full basis.

As a matter of fact, the issuance of the certificates will take still more time. A further postponement will be effected through the resdiscounting of the paper in some measure with reserve banks, and through renewals of the paper obtained from time to time, the banks being induced to carry the loans along instead of sending them to the government for redemption.

If the narrow interpretation of the loan basis be adopted the amount discountable would grow gradually year by year. In fact, if they feel well assured of the safety of the loan there would be some danger that the banks, if not in need of current funds, would allow themselves to become loaded down with such paper. That might be the case at the present time in view of the low rates for money in many parts of the country. As a result of these conditions, it might fairly be expected that a repetition of the conditions of the inflation period would develop. It is well to remember that even at the peak of inflation and of bank discounting of liberty bond paper, just after the fifth liberty loan was offered, the banks probably never had, taking the country as a whole, more than about $10,000,000,000 to $12,000,000,000 of government obligations or paper based on such obligations in their portfolios. If the bonus bill were to give rise to a discount with them amounting to one fifth to one third that sum, the comparative effects are easy enough to imagine.

Need for Definite Policy

It will be necessary for the banks to adopt a fairly definite policy in this matter, since otherwise it would be very easy for them, especially the smaller ones, to become very much clogged with bonus paper. The idea that they can transfer it to reserve banks through rediscounting is of course illusory, since the reserve banks can and will charge it back to them at maturity if not paid. Thus a bank may find itself with a large amount of bonus paper charged back to it which it would have to send to Washington for redemption.

If there were a great many other applications ahead of it, the bank might have to whistle for its funds—principal and interest—for an indefinitely long period, during which the departmental red tape was being unwound and a check issued. Moreover, it would undoubtedly have to go through various red-tape operations with every single loan of the sort which would mean an immense amount of administrative work. It could not charge the veteran anything for the labor involved, since the act expressly provides against any such charge.

Some have supposed that danger for the banks would not set in until after the close of 1926 (the end of the two-year period already referred to). That is apparently an erroneous view of the matter. The section relating to loans, it is true, merely provides that loans "may be made" to veterans only in accordance with the provisions of the section after the expiration of two years. It does not, however, prohibit loans before that time, although such early loans would not, of course, come in for the protection and rediscount privileges set forth. There would apparently be nothing to prevent a bank from making the loans as soon as it chose after the certificate was issued, carrying them along at 6 per cent, renewing the loan from time to time and then after the expiration of the two-year period, obtaining a short renewal and going through the red-tape processes necessary to obtain redemption of the veteran's note. Indeed, banks which are hard pressed by their borrowers may be expected to do just this unless they are cautiously managed. Public opinion in towns where there are large bodies of veterans will undoubtedly be enlisted for the purpose of compelling the banks to follow such a course. Complete safety will be found only in working out a definite bonus policy from the very outset, under instructions of each bank's Board of Directors and then in adhering to it rigidly in all cases. The danger of not following this course may be very great in the case of small banks, since the certificates are government obligations and hence no doubt eligible to discount up to any amount without restriction.

It is entirely possible for the banks of the country to avoid the more disastrous consequences of the bonus measure, but a great deal of courage and vigor will be required to make sure that they do so.

SWITCHING FOR INCOME AND PROFIT

(*Continued from page 274*)

wanna earned $7.09 a share on the stock and of this amount, $1.40 a share represents income received from the Glen Alden bonds. Should these bonds be distributed, therefore, Lackawanna could hardly be considered a sure $6 payer year in year out. Glen Alden bonds are worth approximately $30 a share on Lackawanna stock, and if distributed would mark the price down to 91.

Southern Pacific, a very sure $6 payer, is now selling around 89. Southern Pacific for a long period of years has earned its $6 dividend with a substantial margin and in 1923 earned $12.94 a share. Not only is there an excellent chance of dividends on this issue being increased, but Southern Pacific also has valuable investments outside of its railroad properties, including oil lands in Mexico, which at some future date may form the basis of another melon. **Under the circumstances, Southern Pacific stock offers a far more attractive investment opportunity than Lackawanna.**

Switch from
UNITED STATES RUBBER, Price $28, Yield —
to
INT. COMBUSTION ENG., Price $22, Yield 9.0%

While United States Rubber common stock is now selling at relatively low levels, the outlook hardly warrants an optimistic opinion of this security. Bank loans were around 38 millions at the close of the year and, as the company has a large funded debt, this situation precludes the possibilities of any dividend on the common stock for a long time to come, especially as an important branch of the company's business, the manufacture of tires, cannot be expected to show satisfactory profits in view of unfavorable trade conditions.

Another unfavorable factor in the situation is the recent decline in the price of crude rubber.

By switching to International Combustion Engineering, a substantial return on the investment would be immediately secured with better prospects for appreciation in value. International Combustion Engineering manufactures fuel-saving devices and appears to have a rapidly growing business. It is a dominant factor in this industry and, through control of valuable patents, should be able to keep out competition. For the year ended December 31st, 1923, $2.42 a share was earned on the stock but, judging from the large orders received in the current year, an even better showing in 1924 can be anticipated. Several foreign subsidiaries that have only recently started operations should in the future add materially to the earning power of the company. For the reasons given above, Combustion stock offers a more suitable medium for speculative investment than Rubber common.

THE ELIMINATION OF INVESTMENT RISKS IN REAL ESTATE BONDS

(Continued from page 264)

seven factors, and having established that Standard of Control, create all bonds alike by the simple duplication of these factors, and thus establish a Standard of Safety.

To make this point perfectly clear, consider for example ten First Mortgage Real Estate Bond issues. If they were all of the same type, in the same general location, of the same approximate value and the same percentage of loan; if the amortization rate were alike, if the sinking fund provisions were the same, and if they were all fully insured, the ten bond issues would necessarily present the same Standard of Safety and the same Standard of Risk; and then if the science of the development of these bonds was continued one step further, and this Standard of Risk was definitely determined as a percentage or rate of risk, and was determined to be 1%, it is immediately apparent that it would be possible to *insure* the ten bonds against the 1% risk of loss.

But it would not be possible if the factors which establish this Standard of Risk were left to the whims of Fate and Chance. It is absolutely necessary in Bond Insurance, as in Life Insurance, to maintain a STANDARD OF INSURABLE RISK, and to establish this STANDARD OF INSURABLE RISK, it is necessary to maintain a Standard of Control. The result is that certain farseeing organizations in the First Mortgage Real Estate Bond field have established just such standards, and by exercising a literal and actual control over every minute detail of all of the forces affecting the property, have developed a class of bonds which all present exactly the same percentage of risk. Having done so they have adopted the very obvious expedient of simple insurance, and by the application of accepted insurance practices to these bond issues, have eliminated that known percentage of risk by *insuring against* it.

The Standard

It is interesting at this point to note the Standard of Safety that has been established in the creation of these bonds.

1. TYPE:
   The property securing an Insured Bond, must be either an office building, hotel, apartment building or a commercial development in the metropolitan area of one of the larger American cities.
2. LOCATION:
   Its location must be adapted to the type and usage of space.
3. VALUE:
   It cannot be more than a 57% loan on the net property values securing it.
4. INCOME:
   The net income, after deducting all other costs, must be at least twice the

annual fixed charges in connection with the bond issue.

5. SERIAL AMORTIZATION:

It must be a Serial Bond, the serial payments of which are not less than 5% per annum, nor more than 7% per annum. Thus the income from the property will automatically retire the bond in from fourteen to twenty years. This is arrived at by a close study of the length of life and utility of this type of property.

6. SINKING FUND:

The Sinking Fund provisions in connection with an Insured Bond, must provide that the borrower pay into the Fund monthly an amount equal to one-twelfth of the total annual fixed charges in connection with the property and the bond.

7. INSURANCE:

The property securing an Insured Bond must be insured to 80% of its total value, thus creating a safe margin between the amount of the bond, which is 57%, and the value of the property in case of loss by fire or destruction by the elements.

Actual Control Necessary

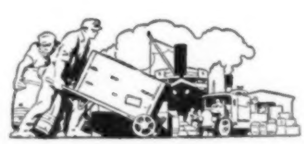
Needless to say that in order to actually control these seven factors and make them effective, it is necessary for the Underwriter or Guarantor of an Insured Bond to be vested with an actual control in the nature of a direct supervision, before he can in safety to himself become Guarantor of the Bond. This is established through a system of monthly and semi-annual reports and by representation of the Underwriter on the Board of Directors of the Borrowing Company, so that he at all times is in full possession of all facts relating to the condition of business of the Borrowing Company.

There is only one thing more in connection with Bond Insurance, and that is the method of application of Insurance principles to the bond itself.

The Application of Insurance to Standardized Risks

It is obviously only a simple step and a short one, when once the Insurable Standard of Risk is established and the means of control made effective so that all bonds are created alike, to establish a premium rate that each bond will pay into a Central Reserve or Trust Fund for the protection of all.

Simple Insurance, whether Life Insurance, Fire Insurance, or any other kind, is nothing more than the pooling of many risks and an arrangement whereby each individual pays a certain fixed sum into a Central Fund, so that the one who loses may be paid in full. In a like manner, each TRUST GUARANTEED BOND pays a small premium of one-half of one per cent into a Central Reserve Fund, known as the Guaranty Trust Fund. These small premiums in the aggregate, together with their principal, amount to over fourteen per cent of the total outstanding guaranties or insured bonds, and in the same manner that every individual



owning Life Insurance is paying a premium which protects every other individual owning Life Insurance, every Insured Bond is paying this small premium to protect every other Insured Bond, thus eliminating the established rate of risk. The essential part of the development of this modern form of Investment, is *not* in the Insurance feature, but in the STANDARD OF SAFETY and the STANDARD OF INSURABLE RISK which has been established.

Once this is established, the task remaining is simply the application of proven insurance practices to eliminate a known factor of loss. Thus it is readily seen that the holder of a TRUST GUARANTEED or INSURED BOND of this type, has pooled his risk and shifted the burden of it in the same manner that he has shifted the burden of his many other business and personal risks, to the ordinary Insurance Companies.

In the opinion of many close financial observers who have been responsible for and have watched the development of this departure from orthodox bond practices, it is just a question of a few years' time until all Investment Bonds of standard type and character of whatever class, will be standardized and controlled to the point where they become capable of adaptation for Insurance. When this Standard is achieved, investment losses will be a rarity, and a bond which has not these inherent factors present in its make-up, will be classified with what are today known as purely speculative issues. This is obviously an end and a consummation to be devoutedly hoped for by all careful students of finance.

SUGAR — ANOTHER PRINCE AND PAUPER INDUSTRY

(Continued from page 272)

warrant commitments in the common stock.

CUBAN-AMERICAN SUGAR

In common with other large producers, Cuban-American staged a strong comeback after the 1921-22 sugar débâcle. Earnings in the fiscal year ended September 30th, 1923, enabled the company to resume dividends on its common stock November 15th last at the rate of 75c. a share quarterly, which annual rate of $3 per share has since been maintained.

The 1923 net of 8 millions was equivalent to $7.45 a share on the common stock or more than twice present dividend requirements. The 1922 net in turn was equal to $1.47 a share. In 1921 a deficit of $7,896,731 was shown. In the record 1920 sugar year the company netted 12.1 millions or $11.63 a share.

Indications are that earnings in the current fiscal year ending September 30th next will not be quite as large as last year due to slight decrease in production and recent decline in sugar prices. Output is expected to total about 275,000 tons as against 295,639 tons last year. While a big proportion of Cuban-American's 1924 crop is reported to have been sold before the recent sharp break in prices, the combination of decreased output and lower prices will probably result in slightly reduced profits for the fiscal year ending September 30th next.

Talk of extra dividends on the common stock—current earlier in the year—has apparently been checked by the recent sugar-price slump. Unless the present slump continues longer than generally anticipated, the current dividend rate apparently is in no immediate danger. The company is rated as one of the lowest cost sugar producers in Cuba and can probably show profits on sugar prices now prevailing.

The strongest confirmation of the excellent results attained in the 1923 fiscal year will be found in the balance sheet. All bank loans were cancelled and working capital increased on September 30th last to 18.4 millions, a gain of 5.4 millions or 42% compared with 1922. Ratio of current assets to current liabilities was nearly 4 to 1 against less than 3 to 1 twelve months earlier. This sound position has led to some talk of retiring the 8% bonds ($9,035,000) due in 1931, which are callable only as a whole on 30 days' notice on any March or September 15th at 107½, which would greatly strengthen the position of the common stockholders.

The $3 annual dividend rate has had a tendency to stabilize the market for Cuban-American common shares, which have only declined about 15% since the first of the year, whereas the price of sugar has dropped approximately 35% in the same period. It is not apparent, however, that this small reaction has sufficiently discounted the shrinkage in profits foreshadowed by a continuance of present sugar prices.

SOUTH PORTO RICO SUGAR

South Porto Rico Sugar is a comparatively small producer and not as well known as the leading Cuban companies, hence its securities are not often in the market limelight. Its experience, however, has been almost identical with that of other producers since the war. In the 1920 inflation the company piled up profits of 5.2 millions, which record faded to a deficit of 1.2 millions in 1922, only to be succeeded by a profit of 1.7 millions in the 1923 sugar recovery.

The 1923 net, which was equal to $12.20 a share on the common stock, enabled South Porto Rico to resume dividends on the common April 1 last with a payment of $1.50 a share, placing the stock on a $6 annual basis. Previous dividend of $1.50 was paid April 1, 1921. Net working capital increased from 4.8 millions in 1922 to 6.4 millions in 1923, the ratio of current assets to current liabilities being about 11 to 1. The strength of the treasury position is further emphasized by the fact that cash and U. S. Government securities alone were over three times the total amount of current liabilities.

As South Porto Rico Sugar is reported to have sold 60% of its 1924 production before the recent sharp break in price, the effect of current prices will be only appreciably apparent in the forthcoming annual report for fiscal year ending September 30th next. Lower prices will be offset to a certain extent by greater pro-

duction, the 1924 output having been placed at 94,000 tons against 83,000 tons the last fiscal year. Indications are, therefore, that the forthcoming report for September 30th fiscal year will show profits comparing fairly well with 1923 when the net equalled $12.20 a share or twice present dividend requirements.

While indications are that South Porto Rico Sugar should be able to show small profits on the basis of current sugar prices, a prolonged continuance of these prices will mean a sharp shrinkage from the $12.20 a share net and once more jeopardize the present dividend rate even buttressed as it is with a strong financial position. The common stock is still somewhat unattractive despite its recent big reaction. The bonds and preferred stock, however, are entitled to a good rating.

ARE THE BUCKET SHOPS COMING BACK?

(Continued from page 259)

organizations have carried on, the investing public is vastly more sophisticated than it was a few years ago. Investors not only understand what a bucket shop is but also the modus of its operations and how to detect its presence. A very considerable percentage of the investing public now knows how to protect itself against the bucket shop. In the final analysis this is the real solution of the bucket shop problem as it is the real solution of most economic evils. Legislation may help but it can seldom cure.

Another obstacle to the bucketeer is the work done in exposing vendors of fake securities. While this is a step in the right direction it does not get at the root of the bucket shop evil. The typical bucket shop is not so much a place where fake securities are sold as a so-called brokerage house which trades against its customers. When a customer, for example buys 100 shares of U. S. Steel common, the order may be actually executed and usually is by the latest type of bucket shop. But shortly thereafter the same 100 shares of Steel is sold by the "house" for a dummy or house account. This is called trading against the customer in distinction to former crude methods of bucketing when the bucket shop did not even bother to execute an order but simply entered it upon the books. But the net result is the same.

The modern form of bucketing cannot be detected except by a careful examination of the books of the bucket shop. As long as the firm has enough cash on hand to meet the demands of the few customers, and they are always exceedingly few in normal times, who take down their profits or take up their stocks, it can continue in business even though it is actually insolvent to the extent of even 90% of its liabilities to its customers. That is the reason why there is usually so little left when the bucket shop finally goes broke.

Since more than 90% of the "suckers," as the bucketeers rightly designate their victims, lose money over a period of time,

one naturally wonders why bucket shops ever go broke. The answer is that they wouldn't if they conducted their bucketing along conservative lines, if I may be permitted to use that phrase. But conservatism and bucketing do not go hand in hand. If the average bucket shop maintained a large cash reserve from its profits, to meet those rare occasions when the public makes a lot of money in the market or when rumor starts a "run" on the shop, most of them would probably be flourishing to-day. But the bucketeer, like his prototype the buccaneer, is an individual with a criminal turn of mind. With him it is a case of easy come and easy go. The manner in which the bucketeers squandered their ill gotten gains in the heydey of the prosperity compares with the orgies of Blackbeard's men on reaching port after capturing a galleon or sacking a Spanish town in the West Indies. The "dry spell" of the rising market, which commenced in the second half of 1921 and continued for the rest of that year and most of the following year, coupled with public outcry and suspicion placed strains upon the bucket shops which they were totally unable to meet. The "shoestring" firms went first and finally even the strongest of the illicit concerns.

Stricter Exchange Regulations

Regulations passed by the New York Stock Exchange and the New York Curb Market Association makes bucketing a difficult if not impossible matter by the members of those organizations. But the "outside broker," i. e., one belonging to no exchange, is still free to ply the trade of bucketeer if he is willing to undertake the considerable risks of that profession. And that is where the next brood of bucketeers will spring up, provided further preventative legislation is not passed.

The Martin Act was a move in the right direction but did not go far enough. It deals chiefly with the sale of securities to the investing public, and Mr. Banton's criticism that it locks the stable door after the horse is stolen, is a fair one. What is needed is not laws to put bucket shops out of the business after they have stolen several hundreds of thousands from their clients, or laws to punish bucketeers after they have been apprehended. There are enough statutes on the books for those purposes. The crying need is for a statute which will nip the bucket shop in the bud and put it out of business before it gets fairly started. So far the only practical remedy of this sort which has been proposed is the licensing and supervision of brokers by some central authority, such as the State Superintendent of Banking. Such legislation is opposed by the security exchanges of New York City and so far their opposition has been successful. That legislation of this sort is needful and that it will eventually be brought to pass is the belief of the writer.

Conclusions

After a careful investigation of the bucket-shop situation the following conclusions have been reached:

1. There has been no infiltration of importance by returning bucketeers into the financial district.
2. Aroused and intelligent public opinion, together with restrictive laws and agencies working against the bucketeer, make it seem unlikely that the bucketshop evil will become a menace for a long time to come.
3. The possibility exists, however, that it may eventually spring up again.
4. Further preventative legislation is needed to make Wall Street 100% proof against the bucketeer and his methods.

Not many months ago this publication stated that the financial district was safer for the investor than at any previous time in financial history. There have been no developments since or pending, which warrant a revision of that statement.

THE SURPRISE OF THE RAILROAD WORLD

(*Continued from page* 261)

quarter of 1924 compared with the same period last year. The decline in net, however, has only been from $6,494,000 to $6,054,000. The 5% dividend rate appears amply protected and after it has been paid regularly for a reasonable length of time the common should acquire more of an investment following. **At its present price of 58 the yield is 8.6% and the stock may be considered an attractive speculation.**

5. ILLINOIS CENTRAL

Although the Illinois Central does not operate only in the southern states, it is commonly classified as a southern road. Traffic has advanced more rapidly than that of the other leading southern roads. Its freight density has doubled in the last ten years, and the operating ratio has been held down very successfully. Consequently, earnings are at a high rate per share.

In 1922, the company authorized an issue of $50,000,000 6% non-cumulative preferred stock. Less than $11,000,000 has been issued and it is convertible into the common stock par for par. The common pays 7% dividends and ordinarily sells a point or two under the preferred. Because of the convertible feature the preferred would keep pace with any rise which the common might have, but would not necessarily decline should the common fall off in price. The greater security seems worth the 1% difference in income. **This is one of the most attractive preferred stocks in the entire market.**

There is a good possibility of a rise in the price of the common from current levels of around par. For the last two years, earnings have been about twice the 7% now being paid. The present rate is well secured, and since all indications point to a continuation of this excellent earning power, an upward revision of the rate at some future time is not improbable. The stock, consequently, is quite attractive at these prices.

WHAT ABOUT THE CURB MARKET?

(*Continued from page 255*)

any bias, either favorable or unfavorable, in respect to them, has recently made some pretty complete inquiries along these lines. His answer, for what it is worth, is this:

The Curb Market of today is as different from the Curb of older days as white is from black. It is as much more truly a well-regulated, smoothly-functioning and wisely-governed organization today than it used to be as is the Stock Exchange by comparison with the time when its earliest members gathered together under the butternut tree. The Curb organization has much ground still to cover before it can reach its "peak" of efficiency, but it is covering new ground with every day that passes, and sooner or later it seems bound to reach its goal. It is no longer a market-place for "all comers," whether of men or of securities. It is instead becoming a more rigidly supervised security-exchange, functioning under more carefully enforced laws and by-laws, with every day that passes. Some defects may be urged against it still, yet the defects of the Curb of today are almost negligible by comparison with those of the old Outside Market of ten years ago.

Very distinctly, this market is gaining in prominence and in its right to recognition. And in view of the numerous high-grade securities dealt in on the Curb, that recognition should not be withheld unduly.

Very briefly, let me sketch what inquiry shows the Curb to have done since it moved indoors:

In the first place, it has grown. Starting out with 550 regular members and 200 associate members, or a total of 750, it now has a total of 1,081 of both classes. Today, no less than 89 Stock Exchange houses hold memberships on its floor. There have been about 200 seat-transfers since the market moved indoors, and sales of seats have varied in price from as low as $4,000 to as high as $10,000. With the security-world in the doldrums in the recent past, the price of Curb seats has fallen off, just as the price of Stock Exchange seats has done. But the last Curb price was $6,000.

Here are tables showing the growth in the number of individual securities dealt in on the Curb—the figures including those regularly listed on the market, both stocks and bonds, as well as those others which, while not formally listed, are nevertheless admitted to trading under the rules of the exchange:

1921 (June)	888
1922 (Dec.)	1,223
1923 (Dec.)	1,657

The growth reflected above in the number of securities dealt in on the curb is similarly reflected in the volume of stock-dealings. In 1922, for example, total volume of stocks dealt in was, in round figures, 202,000,000 shares; in 1923, this total exceeded 270,000,000

shares. The total number of bonds dealt in last year was less than in the year before—explainable in view of the rapid listing of these issues on the New York Stock Exchange (which means the automatic suspension of dealings in them on the curb); nevertheless, the volume of $354,450,000 bonds in 1923 is eminently respectable.*

Secondly, the Curb has perfected a ticker service for reporting its transactions. Members are required, under the rules of the exchange, to report individual transactions as they occur for recording on the ticker; and under the Curb Ticker Co., Inc. (an independent company, so far as the exchange is concerned, and related to the Stock Quotation Telegraph Co.) these quotations are promptly reported through the session. It is to the point to note that 350 Curb tickers are in operation in New York today, 25 in Chicago, 18 in Pittsburgh and 10 in Wheeling, Va. Demand for Curb tickers has grown, as the above figures would indicate, and, subject to strict supervision governing the lease of Curb tickers, additional branches of the service are in prospect. Thus, Curb ticker service may be introduced very soon in Cincinnati.

Tangible Changes for the Better

Third, fourth and fifth—and so on up—the Curb has put into effect many tangible and practical reforms, all calculated to improve the efficiency of the market or strengthen and solidify its position in the financial community. And thereby hangs a tale:

When it was finally made possible to move the Curb indoors, in the words of one official, "We took everything along with us." Frankly, the Curb did not want to leave a "rump" market out on Broad Street. It was better policy, from all points of view, to prevent this. And the most effective means of prevention was to carry everything along inside—the good, the bad and the indifferent. Thereafter, the process of separating the wheat from the chaff and the good from the bad, retaining the one and discarding the other, could be conducted step by step, to the far better advantage of all concerned.

Hence, ever since the Curb moved indoors in June, 1921, it has been going through a weeding out process which has meant many reforms and improvements, each one a step forward in itself, and the combination comprising a very impressive whole.

Among the constructive improvements that have been introduced, there should be numbered the gradual perfecting of the Curb's listing requirements. It may be truthfully stated that the Curb has made great progress in this respect since 1921. It has not only established its preliminary listing requirements, in respect of companies applying for permission to list, but it has also enforced its requirements in the case of securities already listed. Indeed, so rigorous has the Curb become in respect of listings that frequent cases of "dropped from the list" have aroused criticism from the outside—charges, even, of "unfair" and "high-handed" tactics. Manifestly, a security-market operating along the lines of the New York Curb cannot be too "high-handed" in matters of this sort. The investing public should realize that security-suspensions of this order are, primarily, evidence of a determined enforcement of rules designed to protect the public; and instead of criticising the Curb in the matter, they should praise it.

(By the way, it is possible for the writer to offer his readers a means of "checking up" on his above statements relative to the Curb's listing requirements. Although not generally known, it happens to be the fact that the information required by the Curb in the matter of listings is held on file by the Curb and is available for the inspection of the investing public at any time. Thus, if I seem to be crediting the Curb with more than it deserves, my statements may be easily investigated by whomsover will. The evidence it there.)

The Curb has also become a radically different market in respect to its control over members. These members are regulated by a very stringent constitution (copies of which may be had for the asking) which is strictly enforced. Thus, it is no longer possible for the Tom, Dick and Harry of other days to join in, uninvited, upon the activities of the Curb. It is no longer possible for Curb members to start trading, almost at will, in the securities they happen to conceive a hankering for. And all the myriad minor abuses of the old days—"wash" sales, unreported prices, etc.—are now reduced to a minimum if, indeed, they have not been completely eradicated.

The financial condition of the New York Curb Market is stated to be as sound as that of the old outside market was more or less precarious. With a site and building whose value has substantially increased since purchase and which carries only a single, and that a comparatively small, encumbrance, the carrying charges are stated to be small.

Indeed, taking it all in all, it may be said that the advantages derived from having the Curb indoors far outweigh any disadvantages that may have been incurred. In fact, the only persons I can find who are sorry the Curb went under cover are those who would not or could not go in with it. Deprived of their old-time meal bag, these fellows (there aren't very many of them) are more to be pitied than censured. They're the type that does not move with the times.

What Will the Future Bring?

A few remaining words may be said and then this overlong article will be brought to a close. These words may treat on the probable future of the New York Curb Market:

Be it said that the position of the Curb Broker himself in the financial community leaves much to be wished for, from the standpoint of that broker himself. To put it baldly, the public's memory, although notoriously short, still retains the impressions of the bucket shop fiasco of recent years; and so, even the most reputable Curb member finds himself in some degree under

Dividends

AMERICAN WOOLEN COMPANY

(Massachusetts Corporation)

Quarterly Dividends

Notice is hereby given that the regular quarterly dividends of One Dollar and Seventy-five Cents ($1.75) per share on the Preferred Stock and One Dollar and Seventy-five Cents ($1.75) per share on the Common Stock of this Company will be paid on July 15, 1924, to stockholders of record June 14, 1924.

Transfer books will be closed at the close of business June 14, 1924, and will be reopened at the beginning of business June 27, 1924.

WILLIAM H. DWELLY, Treasurer.

Shawsheen Village, Andover, Mass., June 2, 1924.

SOUTHERN RAILWAY COMPANY

New York, June 12, 1924.

PREFERRED STOCK

A quarterly dividend of one and one-quarter per cent (1¼%) on the Preferred Stock of Southern Railway Company has this day been declared payable on July 15, 1924, to stockholders of record at the close of business June 25, 1924.

COMMON STOCK

A quarterly dividend of one and one-quarter per cent (1¼%) on the Common Stock of Southern Railway Company has this day been declared payable on August 1, 1924, to stockholders of record at the close of business July 10, 1924.

C. E. A. McCARTHY, Secretary.

THE BELL TELEPHONE COMPANY OF CANADA

Notice of Dividend

A dividend of two per cent (2%) has been declared, payable at the Office of the Company, in Montreal, on July 15, 1924, to shareholders of record at the close of business on June 23, 1924.

JOS. JONES, Treasurer.

Montreal, June 11, 1924.

OFFICE OF

THE UNITED GAS IMPROVEMENT CO.

N. W. Corner Broad and Arch Streets

Philadelphia June 9, 1924.

The directors have this day declared a quarterly dividend of one and three quarters per cent. (87½c per share) on the Common Stock of this company, payable July 15, 1924, to holders of Common Stock of record at the close of business June 30, 1924. Checks will be mailed.

I. W. MORRIS, Treasurer.

Crane Co.

RESOLVED, That a quarterly dividend of one and three-fourths per cent (1¾%) on the Preferred Stock and one and one-fourth per cent (1¼%) on the Common Stock be, and the same hereby is, declared, payable June 15, 1924, to stockholders of record May 31, 1924.

H. P. BISHOP, Secretary.

May 20, 1924.

UNION BAG & PAPER CORPORATION

New York, June 11, 1924.

Dividend No. 31

A quarterly dividend of 1½% has this day been declared upon the stock of this Corporation, payable July 15, 1924, to the holders of record of the stock of this Corporation at the close of business on July 5, 1924.

CHARLES B. SANDERS, Secretary.

CLUETT, PEABODY & CO., INC.

Preferred Stock Dividend No. 46

The board of Directors has declared a quarterly dividend of One Dollar and Seventy-five cents per share on the Preferred Stock of the Company, payable July 1, 1924, to Stockholders of record at the close of business June 20, 1924. Checks will be mailed by the Irving-Bank Columbia Trust Company.

D. A. GILLESPIE, Treasurer.

Troy, N. Y., June 4, 1924.

INTERNATIONAL TELEPHONE AND TELEGRAPH CORPORATION

New York, June 10, 1924.

The directors of the International Telephone and Telegraph Corporation have declared the regular quarterly dividend of one and one-half per cent. (1½%) on the capital stock of the Company, payable July 15, 1924, to stockholders of record June 27, 1924.

H. B. ORDE, Treasurer.

a cloud. So long as this condition lasts, it is obvious that the Curb Market must, in some degree, feel the effects of it.

Counteracting this influence is the attitude of the majority of Curb brokers themselves. These men are straight—they know they are straight—and in the due processes of time, they will convince the public that they are straight. Of course, any defections among their associates from the rules of the market or the principles of the square deal would tend to undo the good work they themselves are doing; but with Curb sentiment what it is, and the lessons of the past as strong as they are, such defections are likely to be conspicuous by their absence.

The Curb as a rival market to the New York Stock Exchange will never materialize. It was not organized to compete with the Stock Exchange, does not attempt to compete with the Stock Exchange and does not want to compete with the Stock Exchange. It is conducted under express rules calculated to forestall competition, of which Section 1, Article XVIII of the Constitution is a good sample:

> *"Members agree that when any security listed and admitted to trading in any department of this Exchange is listed and admitted to trading upon the New York Stock Exchange, they will at once cease to deal in it upon the floor of this Exchange."*

As an open market for securities, the Curb lacks at the present time one feature which seriously handicaps it. That is, proper facilities for marginal trading. The greater part, if not all, of the Curb trading today is done on an outright basis. Hence, the market is and must be restricted, in a speculative sense, to a far greater degree than if marginal trading were made possible.

Of course, the Curb brokers recognize this handicap; and, no doubt, they would be of one voice if any means for correcting it were to develop. Interesting enough, such a means may not be in so far distant the future as might be imagined.

As the market grows in strength, stature and public esteem, it is not at all unlikely that the acceptability of high-grade Curb stocks as collateral will be comparable with that feature of the New York Stock Exchange. Immediately thereafter, of course, the market would gain in public participation and importance just as it has gained immensely in these respects in the few brief years since it moved indoors.

CAPITAL TRUST AND SAVINGS WAS ST. PAUL INSTITUTION

In the issue of THE MAGAZINE OF WALL STREET for May 24, in connection with a discussion of bank failures in the Northwest, the Capital Trust & Savings Bank was incorrectly spoken of as having existed in Minneapolis, Minn. This was an error. The institution in question having been organized and always existed in the city of St. Paul, Minn., is not to be regarded as in any sense a Minneapolis institution.

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Can furnish Stock, Bond and Mortgage Buyers in 1,000 companies. Ask for price list showing each and amounts in detail.

A. F. WILLIAMS

166 W. Adams St. Chicago

Oxley, New Vienna, Ohio, sells addresses of people able to buy bonds.

Charters

DELAWARE incorporator; charters; fees small; forms. Chas. G. Guyer, 901 Orange St., Wilmington, Del.

Business Opportunities

Producing oil royalties for sale in Mid-Continent properties, operated by such major companies as Standard, Humble, Magnolia, Gulf and Texas. Many who have bought from me can realize 40% profit in less than six months. No sales under $500—all sales carry thirty days' money-back guarantee. Write for full details. E. D. McMAHON, 418 Exchange Bldg., Ft. Worth, Texas.

Capital Secured. Corporations organized and financed. Blanchet & Company, 347 5th Ave., New York.

Write for our 15% Dividend Paying Proposition. Box 1300, Butte, Montana.

Education

Start a Real Estate Office of Your Own. Earn $3,500 upwards. Our course of 21 lessons tells you how. Booklet W on application. Frederick Jenkins, Corlaer Heights, Schenectady, New York.

Letter Specialists

Letters that talk sense and sell goods. The kind that go straight to the point without waste motion. Request evidence. Scarborough, 557a Halsey St., Brooklyn, N. Y.

Dividends

The

SEAMEN'S BANK FOR SAVINGS

76 WALL STREET NEW YORK CITY

The Trustees have declared a

QUARTERLY DIVIDEND AT THE RATE OF **4%**

per annum on accounts of $5. to $5,000. payable on or after July 15th, 1924

DEPOSITS MADE ON OR BEFORE JULY 10th, WILL DRAW INTEREST FROM JULY 1st

SAVINGS ACCOUNTS INVITED

BANKING BY MAIL

HERBERT K. TWITCHELL, *President*

WILLISTON H. BENEDICT, *Secretary* RALPH H. STEVER, *Cashier*

UNITED BAKERIES CORPORATION

UNITED BAKERIES CORPORATION UBC

Quarterly Dividend

THE Board of Directors have declared the regular quarterly dividend of two per cent (2%) on the outstanding preferred stock of the Company, payable July 1, 1924 to stockholders of record June 14, 1924. Transfer books close June 14th and will reopen July 1, 1924.

GEORGE G. BARBER, *Treasurer*

American Telephone & Telegraph Company

139th DIVIDEND

The regular quarterly dividend of Two Dollars and Twenty-Five Cents per share will be paid on Tuesday, July 15, 1924, to stockholders of record at the close of business on Friday, June 20, 1924.

H. BLAIR-SMITH, Treasurer.

To the Holders of Prior Preference, Preferred and Common Stocks of

PERE MARQUETTE RAILWAY COMPANY

The Board of Directors of Pere Marquette Railway Company, at a regular meeting of said Board held June 4, 1924, declared dividends as follows:

On 5% PRIOR PREFERENCE STOCK—a quarterly dividend of $1.25 per share (1¼%).

On 5% PREFERRED STOCK—a quarterly dividend of $1.25 per share (1¼%), both payable August 1, 1924, to stockholders of record at the close of business on July 15, 1924, without the closing of the Transfer Books.

On COMMON STOCK—a quarterly dividend of $1.00 per share (1%) payable July 1, 1924, to stockholders of record at the close of business June 13, 1924, without the closing of the Transfer Books.

E. M. HEBERD, Secretary.

THE WESTERN UNION TELEGRAPH COMPANY

New York, June 10, 1924.

Dividend No. 221

A quarterly dividend of **one and three quarters** per cent has been declared upon the Capital Stock of this Company, payable on July 15, 1924, to stockholders of record at the close of business on June 25th, 1924.

The transfer books will remain open.

G. K. HUNTINGTON, Treasurer.

Dividends

International Petroleum Company, Limited

Notice of Dividend No. 6

NOTICE is hereby given that a dividend of 25c. United States Currency, per share has been declared by the Directors of the International Petroleum Company, Limited, and that the same will be payable on or after the 30th day of June, 1924, in respect of the shares specified in any Bearer Share Warrants of the Company upon presentation and delivery of coupons No. 6, attached to the said bearer Share Warrants at the following banks:

The Royal Bank of Canada,
60 Church Street, Toronto, Canada.
The Farmers' Loan and Trust Company,
16-22 William Street, New York, N. Y.
The Farmers' Loan and Trust Company, Limited,
26 Old Broad Street, London, E.C., England.

OR

The Offices of the International Petroleum Company, Limited,
56 Church Street, Toronto, Canada.

The payment to Shareholders of record whose shares are fully paid up at the close of business on the 21st day of June, 1924, and whose shares are represented by registered certificates, will be made by cheque, mailed from the offices of the Company on the 30th day of June, 1924.

The Books of the Company will be closed from the 23rd day of June, 1924, to the 30th day of June, 1924, inclusive, and no Bearer Share Warrants will be "split" during that period.

By Order of the Board,

J. R. CLARKE, Secretary.

56 Church Street, Toronto, Canada,
11th June, 1924.

UNITED LIGHT AND POWER COMPANY

(Successor to United Light & Railways Company)

Davenport Grand Rapids Chicago

The Board of Directors of The United Light and Power Company has declared the following dividends on the stocks of the Company:

A quarterly dividend of One Dollar Sixty-two Cents ($1.62) per share on the Class "A" Preferred stock, payable July 1, 1924, to Stockholders of record June 16, 1924.

A quarterly dividend of One Dollar ($1.00) per share on the Class "B" Preferred Stock, payable July 1, 1924, to Stockholders of record June 16, 1924.

A dividend of Forty Cents (40c) per share on the Class "A" and Class "B" Common Stock, payable August 1, 1924, to stockholders of record July 15, 1924.

Transfer books will not be closed.

L. H. HEINKE, Treasurer.

June 11, 1924.

White Eagle Oil & Refining Co.

Kansas City, Mo., June 14, 1924.

Quarterly dividend No. 20 in the sum of fifty cents (50c) per share will be paid July 21st, 1924, to stockholders of record June 30th, 1924, by checks mailed from the office of the company.

Transfer books will not close.

MILO T. JONES, Secretary.

MALLINSON'S

Silks De Luxe

H. R. MALLINSON & CO., INC.

299 Fifth Avenue, New York City

June 12, 1924.

Preferred Dividend No. 19

The Board of Directors of this corporation has declared the regular quarterly dividend No. 19 of 1¾% on the Preferred Stock, payable July 1st, 1924, to stockholders of record at the close of business, June 22nd, 1924.

E. IRVING HANSON, Treasurer.

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